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P. B. McGinnis At NSTA Meeting Declares Reorganized Rails Have Favorable Outlook

Speaking at the election meeting of the National Security Traders Association in Chicago, Patrick B. McGinnis, railroad securities analyst, of Pflugfelder, Bampton & Rust, New York City, declared that holders of securities of railroads in reorganization or which have recently emerged from receivership will be in a better long-term position with respect to earnings than holders of issues of many other roads which currently have high revenues.

Patrick B. McGinnis

"Some of you who have heard me before," Mr. McGinnis said, "know that I try to talk on railroad securities as distinct from the railroad problem. You won't hear much about the railroad problem from me, because it is being discussed by almost everyone and has been for the last ten years, and it is of little benefit, in my opinion.

"If you have some stocks selling at 5 or 15 of railroads, or if you have bonds selling at 50 or 20 or even at 80, and you ask your fiduciary or your broker, 'what shall I do with those bonds and stocks?' and he then goes into a long discussion about the railroad industry as such, or its peculiar advantages or disadvantages, or what will happen to the railroads after the war, you aren't satisfied with that; you want a more direct answer. What you want, I believe, particularly if you have customers, is to hear somebody say, 'sell them for these reasons' or 'buy more for these reasons' or some other constructive suggestion, such as 'sell those and buy something else.' Therefore, practically all I have to say is an attempt to answer that question, 'What shall I do with railroad securities, and why?' rather than to go into a discussion of the railroad industry, as to what it has been or what it will be.

"We have had railroad securities with us for a long time—almost 100 years; almost 80 years longer than we have had utility securities; and, so far as bonds are concerned, almost 90 years more than we have had industrial securities. Therfore, 90% of all your research and corporate securities up to, say 1920 was in railroad securities, because it was the only corporate security we had. As a result, of course, 90% of all your corporate houses had to be in railroad securities; otherwise they were not a corporate house.

"In the '20's you had the introduction of utility bonds and industrial bonds. So that at the end of the '20's, in 1930, you had a somewhat diversified business if you were in the corporate business and, likewise, if you were a corporate customer. Nevertheless, the large proportion of corporate experts and the large proportion of corporate trade and the large proportion of corporate holdings was in railroad bonds as distinct from utility bonds and industrial bonds.

"It is easy enough to condemn us for studying railroad bonds as we did in the '20's. In retrospect, however, most of us rail men were students not of railroad credit but of maturities and yields. Just think back to 1928 and 1929, when we allowed bonds like Rock Island 4's of 1988 to sell on the same basis to maturity as the Norfolk & Western 4's of '98. And yet if we had taken the trouble to look

(Continued on page 804)

Our Reporter On "Governments"

One thing that the Treasury's announcement of redemption rather than refunding of the maturing 2s and RFC ⅞s does mean is that we'll have an even larger borrowing in September than experts had anticipated. . . . The tax collections are coming in, of course, and war bond sales should pick up; but, even so, the financing this month should be tremendous. . . . One thing that the Treasury's announcement of redemption of these securities does not mean is that a policy of eliminating "rights" has been definitely established and we cannot look forward from this day on to any value to maturing securities or refunding of outstanding notes and guaranteed issues. . . . Even though that rumor is around, logic suggests it is ill-founded. . . .

There's no point in denying that most financiers were surprised by Secretary Morgenthau's decision to pay off the $662,000,000 Treasury 2s and RFC ⅞s, due Sept. 15 and Oct. 15, respectively. . . . We expected a refunding, despite the near-par price at which the issues were selling. . . . But we didn't get one because of these factors: (1) the size of the issues, indicating a refunding would be more trouble than the total was worth; (2) the apparent decision of most holders of the securities to transfer their funds into other tax-exempts, thus indicating a redistribution of the refunding issue immediately after sale; (3) the feeling on the part of the Treasury that a small intermediary deal now would confuse the major September borrowing picture. . . .

Now that the move has been made, it makes sense. . . . The holders of the RFCs and Treasury 2s, although they didn't gain the few 32nds we hoped for, didn't lose anything either. . . . Buying these for refunding was a riskless wager—a rare enough thing and worth a gamble at any time. . . .

What this writer hears is that the program now is as follows:

(1) The small-total notes and the guaranteeds coming due over the next 12 months or so will not be refunded but will be paid off in cash in order to keep the financing calendar as clean as possible. . . .

(2) The big maturities will be refunded and "rights" will have their values as always—always admitting, of course, that premiums these days are smaller than in recent years. . . .

Thus, the policy you, who own or want to own maturing issues, should follow is:

(1) Do your own refunding in the open market and buy whatever tax-exempt issue or close-to-par security you want sometime between now and a maturity date if you own one of the smaller loans. . . .

(2) Gamble again on a refunding of the larger maturities and pick up these securities for short-term holding whenever your portfolio position and the market dictate. . . .

(Continued on page 796)

National Security Traders Association Election Meeting At Chicago, Ill., Aug. 28-29

Featured in this Issue, beginning on page 800.

IBA Plans To Hold War Finance Meeting

A day-and-a-half "war finance conference" in New York City on Oct. 19 and 20 will take the place this year of the usual five-day annual convention of the Investment Bankers Association of America, it was announced Aug. 28 by John S. Fleek of Hayden, Miller & Co. of Cleveland, President of the Association, through its office in Chicago. The announcement states that Treasury officials are scheduled to participate in the conference together with representatives of the 12 Federal Reserve District Victory Fund Committees through which the securities dealers and commercial bankers are working to promote the nation-wide sale of government bonds. Forums such as in other years dealt with problems of financing industry will this year center attention on the task of raising billions for war and on ways of combating inflation, Mr. Fleek indicated.

New York was chosen as the place of the meeting in order to hold travel of those attending to an absolute minimum, it was explained. A substantial majority of Association members are located in the large financial centers on the Eastern seaboard, it was stated, and delegates from other sections of the country will be urged to combine the trip with one of their regular periodical business visits to the East.

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W. Gilbreath Named NASD Dist. 8 Board

CHICAGO, ILL. — Members of the National Association of Securities Dealers, Inc., in Illinois, Indiana, Iowa, Michigan, Nebraska and Wisconsin (District No. 8), have approved election to the Board of Governors of W. S. Gilbreath, Jr., Detroit. Mr. Gilbreath, who is Vice President of First of Michigan Corporation, succeeds to the unexpired term on the Board of Francis F. Patton, Chicago, who retired as a NASD Governor upon appointment as Executive Manager of the Victory Fund Committee of the Seventh Federal Reserve District. Mr. Patton is on a leave of absence from A. G. Becker & Company, Incorporated. William A. Fuller, William A. Fuller & Co., Chicago, and Robert W. Baird, The Wisconsin Company, Milwaukee, are the other Governors of NASD District No. 8. Edward B. Hall, Harris, Hall & Company, Chicago, was Chairman of the Nominating Committee which nominated Mr. Gilbreath.

William W. Miller, President, Gavin L. Payne & Company, Inc., Indianapolis, has been approved as a member of NASD District Committee No. 8. He succeeds G. William Raffensperger, Raffensperger, Hughes & Co., Inc.

Gay, Field, Wixted With Gude Winmill

Charles R. Gay, member of the New York Stock Exchange, Edward P. Field and Joseph F. Wixted will become partners in Gude, Winmill & Co., 1 Wall Street, members of the New York Stock Exchange, on Oct. 1. All were partners in Winthrop, Whitehouse & Co., which is dissolving on Sept. 30. It is not yet known whether other partners of Winthrop, Whitehouse & Co. will form a new partnership to continue the firm's investment business.

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Glas & Crane Formed In New Orleans

NEW ORLEANS, LA.—It is announced that on Aug. 31 the partnership of Hyams, Glas & Carothers was terminated and on Sept. 1 the new partnership of Glas & Crane was formed. Partners of the new firm are R. Jeremy Glas formerly a partner in the dissolved firm and G. Price Crane, who has represented Hyams, Glas & Carothers in Southern Louisiana for the past six years. Connected with the new organization will be all the remaining personnel of Hyams, Glas & Carothers. The firm will have new offices at 333 Whitney Building; the teletypewriter number will remain No. 298.

Chapman H. Hyams 3rd is preparing to enter the armed services and Stanley S. Carothers has become associated with B. S. D'Antoni & Co.

Wolf Transferred To Harris Bank In Chicago

Paul W. Wolf, for the past seven years with the New York office of Harris Trust & Savings Bank, is returning to the bank's main office in Chicago. Mr. Wolf, who has specialized in municipal bonds in the bank's New York office, will enter the banking department in Chicago.

Wm. R. Stuart V.-P. Of Mason, Moran & Co.

CHICAGO, ILL.—Mason, Moran & Co., 135 South La Salle Street announce that William R. Stuart has been elected a Vice-President of their firm in charge of their Municipal Bond Department. Mr. Stuart has been President of Wm. R. Stuart & Co. since 1932 and prior thereto was Vice-President of Folds, Buck & Co.

Mason, Moran & Co. also announce that John C. Culbertson and Franklin G. Emrick have joined their organization. Both had been associated with Wm. R. Stuart & Co. which is discontinuing its investment business.

Stanley Carothers Is With B. S. D'Antoni

NEW ORLEANS, LA. — B. S. D'Antoni & Co., American Bank Building, members of the New Orleans Stock Exchange, announce that Stanley S. Carothers has become associated with their firm. Mr. Carothers, who has been in the investment business for the past twenty-seven years, was formerly a partner in Hyams, Glas & Carothers. He is President of the Louisiana Investment Dealers' Association and for the past six years has been Chairman of the group's legislative committee.

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Potomac Electric Issue Of $5,000,000 Offered

Three leading investment banking firms, Kuhn, Loeb & Co., Smith, Barney & Co. and Blyth & Co., Inc., comprised the syndicate which offered Sept. 2 the new issue of $5,000,000 of Potomac Electric Power Company 1st mortgage bonds 3¼% series due 1977. Priced at 113 to yield about 2.67% if held to maturity, the bonds constitute the company's fourth issue of 3¼s which will total $40,000,000, with maturities in 1966, 1974 1975 and 1977. This first mortgage debt of $40,000,000 compares with a property and plant account alone of $96,839,972 on June 30. 1942, according to the prospectus and it is the only funded debt of the company.

Potomac Electric Power serves the District of Columbia and operates under the so-called "Washington Plan." This plan provides a sliding scale arrangement under which the increases or decreases in rates charged by the company are made as annual earnings exceed or fall short of a 6% return on the rate base. Under the plan, the company has been able to adjust rates in favor of consumers and at the same time show a satisfactory margin of earnings for interest and dividends. In the year ended June 30, 1942, for example, after giving effect to the issuance of the $5,000,000 of new bonds now offered publicly, interest charges were earned 6.72 times before taxes and 4.41 times after taxes.

Since 1937 the average annual rate per kilowatt hour to residential customers has been reduced from 2.96 cents to 2.43 cents this year, which is said to be among the lowest residential average rates charged by any electric company in the country. The latest adjustment was a reduction amounting to $338,000, effective Feb. 1, 1941. Meanwhile, net property additions have amounted since 1936 to $32,746,039.

Net proceeds to be received by the company from the sale of this additional issue of 3¼s will amount to $5,567,870, exclusive of accrued interest and after deducting underwriting discounts or commissions and estimated expenses. They are initially to become part of the company's general funds and are to be used to meet its normal working capital requirements and for plant expansion. The latter is estimated at $8,691,000 for 1942. In June of this year the company received $3,000,000 from the sale of 30,000 shares of its common stock.

The bonds of the 1977 series will be redeemable on or before July 31, 1943 at 116, and thereafter on a graduated scale downward, together with accrued interest.

Incorporated in 1896 in the District of Columbia, the company serves an area of about 628 square miles, comprising the District of Columbia and approximately 51% and 63%, respectively, of Prince George's and Montgomery Counties in Maryland. Electric energy is also interchanged with the hydro-electric and steam generating system of Consolidated Gas Electric Light and Power Company of Baltimore over a 230.000-volt transmission line in Maryland, and over 132.000-volt and 110,000-volt interconnecting transmission lines extending in large part along the right-of-way of the Pennsylvania RR.

Brady To Be Partner

Thomas J. Brady will shortly become a partner in Vernon C. Brown & Co., 71 Broadway, New York City, members of the New York and Philadelphia Stock Exchanges. Mr. Brady will act as alternate on the floor of the New York Exchange for Vernon H. Brown.

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Eustis In Air Corps: Firm Will Continue

CINCINNATI, OHIO — George Eustis has been commissioned a Second-Lieutenant in the U. S. Army Air Corps and will report in Miami, Florida, on September 5th for training. The investment business of Geo. Eustis & Co. will continue under the management of Lee R. Staib, Mr. Eustis' partner.

Cgo. Exchange Members

CHICAGO, ILL. — Newton P. Frye, President of the Central Republic Company of Chicago, and Marcy T. Weeks, of Chicago, were elected to membership in the Chicago Stock Exchange by the Board of Governors, it was announced.

Concurrent with Mr. Frye's election, the Central Republic Company is the second member corporation to be admitted to membership in the Exchange since adoption of the new rules last month. Mr. Frye, formerly an advisor to the Board of Governors of the Exchange, has been in the securities business for almost a quarter of a century.

Two other memberships have been purchased by officers of corporations and are pending formal approval.

Mayer With N. Douglass

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Ralph E. Mayer has become connected with Nelson Douglass & Co., 510 South Spring Street. Mr. Mayer was recently with Laurence Boothe & Co. and prior thereto with Banks, Huntley & Co. In the past he was an officer of Laswell & Co.

F. B. Badgley Joins Dean Witter & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Frank B. Badgley has joined the Los Angeles office of Dean Witter & Co., 634 South Spring Street. Mr. Badgley was previously with Blyth & Co., Inc. and in the past was an officer of E. H. Rollins & Sons, Inc.

In The WAAC

Edna M. Fishman, formerly a partner of William I. Fishman & Co., New York City, and more recently with the New York office of Wyeth & Co., has joined the WAAC.

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Baker Watts To Admit Fisher And Warren

BALTIMORE, MD. — Baker, Watts & Co., Calvert and Redwood Streets, members of the New York and Baltimore Stock Exchanges, will on October 1st admit W. Lloyd Fisher and Robert A. Warren to partnership in their firm. Mr. Warren has been with the firm for some years as Manager of the Municipal Trading Department.

Victor T. Cranston Is Now With Weeden & Company

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Victor T. Cranston, recently with R. H. Moulton & Company and in the past a partner in Howell, Douglass & Co., has become affiliated with Weeden & Co., 315 Montgomery Street.

Boggs Marine Captain; White Heads Trading

BALTIMORE, MD.—William H. Boggs, Manager of the Trading Department of Frank B. Cahn & Co., Equitable Building, has been granted a leave of absence from the firm for the duration. He has been commissioned a Captain in the Marine Corps and will report for duty on September 22nd. The Trading Department during his absence will be under the management of George M. White.

F. Wessel, Jr., Partner In Stirling Morris Co.

BALTIMORE, MD. — Stirling, Morris & Martin, Keyser Building, members of the Baltimore Stock Exchange, announce that Frederick C. H. Wessel, Jr., has been admitted as a general partner in their firm. Mr. Wessel, who has been in the investment banking business for the past twelve years, was formerly with Baumgartner & Co.

Lehman Appoints Cann; Ratcliffe In Army

CHICAGO, ILL.—Jules F. Cann, who has been associated with Lehman Brothers in Chicago for several years, has been appointed resident manager of that office. He succeeds Myron F. Ratcliffe, who resigned to accept a commission as Major in the United States Army.

Day V.-P. of Cgo. Exchange

CHICAGO, ILL.—Raymond M. Day has been appointed Vice-President of the Chicago Stock Exchange to succeed O. R. Bergherm who recently resigned to accept a position with the Alien Property Custodian, it was announced by Kenneth L. Smith, President of the Exchange.

Mr. Day has been in the Auditing Department of the Exchange since 1932.

To Form M. F. Sachs Co.

Melville F. Sachs, member of the New York Stock Exchange, and Harry L. Toplitt, Jr., will form the partnership of Melville F. Sachs & Co. with offices at the Savoy-Plaza Hotel, effective Sept. 10. Mr. Sachs has recently been active as an individual floor broker and in the past was a partner in Neuhut, Plohn & Co. and its predecessor. Mr. Toplitt in the past was with D. M. Minton & Co. and Schatzkin, Loewi & Co.

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Deadline Approaches For Filing Comments With SEC Regarding Bid And Asked Disclosure Rule

Dealers and dealer organizations are hereby reminded that only a few days remain before the Sept. 15 deadline set by the Securities and Exchange Commission for the submission of views regarding the Commission's proposed new rule, X-15-c 1-10. The over-the-counter industry is by now fully aware of the intent and purposes of this proposed measure and undoubtedly is prepared to impress upon the Commission the many reasons why such an inflexible regulation cannot be equitably or successfully applied and in no sense can be construed as in the public interest.

However, it is unfortunately true that many dealers throughout the country, not affiliated with any organization, are inclined to sit back and await developments, instead of taking an active part in combating measures directly inimical to their own welfare. Still others adopt an uncalled for defeatist attitude with regard to measures originating in the SEC, the impression being that the "Commission can do no wrong and what the hell's the use of opposing them."

Nothing can be further from the truth, in our opinion, as we refuse to subscribe to the theory that Congress, in creating the SEC, at the same time suspended the constitutional rights of all those whose activities are subject to the Commission's jurisdiction. True, the Commission is cloaked with extremely wide powers, but these certainly do not include the authority or the right to impose rules and regulations, no matter how destructive and harmful to the nation's financial economy, solely because they seem desirable in the Commission's viewpoint.

It would be silly, of course, to say that the Commission has not been instrumental in making all those connected with the securities industry additionally conscious of their obligations to the investing public. However, there is overwhelming evidence to support the conclusion that its proposed bid and asked rule and its attendant relevant provisions is not in any sense constructive and it is the duty of the entire industry to impress this fact on the Commission on or before Sept. 15.

NYSE Govs. To Study Block Merchandising

Emil Schram, President of the New York Stock Exchange, has requested a group of Governors to consult with him in a study of the merchandising of blocks of securities.

The group will comprise Emil Schram, Albert H. Gordon, Robert J. Hamershlag, George R. Kantzler and Joseph Klingenstein.

Wall With Fusz-Schmelzle

(Special to The Financial Chronicle)

ST. LOUIS, MO.—Chesley Wall has become associated with Fusz-Schmelzle & Company, Boatmen's Bank Building, members of the St. Louis and Chicago Stock Exchanges. In the past Mr. Wall was in the wholesale department of Detjen & Co. and was with Bankers Bond & Securities Company.

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DIVIDEND NOTICES

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 146
Common Dividend No. 130

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending September 30, 1942, and a dividend of 10¢ per share on the Common Stock have been declared. Both dividends are payable October 1, 1942, to holders of record September 10, 1942. The stock transfer books will remain open.

J. P. TREADWELL, JR.
July 22, 1942 *Secretary*

COMMERCIAL INVESTMENT TRUST CORPORATION

Convertible Preference Stock, $4.25 Series of 1935, Dividend

A quarterly dividend of $1.06¼ on the Convertible Preference Stock, $4.25 Series of 1935, of COMMERCIAL INVESTMENT TRUST CORPORATION has been declared payable October 1, 1942, to stockholders of record at the close of business September 10, 1942. The transfer books will not close. Checks will be mailed.

Common Stock, Dividend

A quarterly dividend of 75 cents per share in cash has been declared on the Common Stock of COMMERCIAL INVESTMENT TRUST CORPORATION, payable October 1, 1942, to stockholders of record at the close of business September 10, 1942. The transfer books will not close. Checks will be mailed.

JOHN I. SNYDER, *Treasurer.*
August 27, 1942.

DU PONT **E. I. DU PONT DE NEMOURS & COMPANY**

WILMINGTON, DELAWARE: *August 17, 1942*
The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable October 24, 1942, to stockholders of record at the close of business on October 9, 1942; also $1.00 a share, as the third "interim" dividend for 1942, on the outstanding Common Stock, payable September 14, 1942, to stockholders of record at the close of business on August 24, 1942.

W. F. RASKOB, *Secretary*

EATON & HOWARD
BALANCED FUND

The Trustees have declared a dividend of 20 cents per share payable September 25, 1942, to shareholders of record at the close of business September 15, 1942.

September 3, 1942. 24 Federal St., Boston

Our Reporter On "Governments"

(Continued from first page)

WHAT ISSUES?

A glance at the Government list suggests that these coming maturities may be redeemed instead of refunded:

The $232,000,000 December 1¾s;
The $66,000,000 March 15, 1943, ¾s;
The $279,000,000 Sept. 15, 1943, 1s;
The $289,000,000 CCC ¾s of May 1, 1943;
The $324,000,000 RFC 1⅛s of July 15, 1943.

Other nearby maturities such as the Treasury 1⅛s of June 15, 1943, outstanding in the amount of $629,000,000, and the Treasury 1⅛s of Dec. 15, 1943, outstanding in the amount of $421,000,000, seem too large to admit of redemption in place of refunding. . . . Certainly the June 1⅛s seem a logical candidate for refunding. . . . But, anyway, the sensible policy is to place your bets for refunding on the larger issues, your bets for redemption on issues outstanding in amounts less than $400,000,000. . . . And then figure out your "own refunding" policy accordingly. . . .

THE SEPTEMBER DEAL

Morgenthau has announced that first disclosures on the September borrowing will come after Labor Day, Sept. 7. . . . He has said nothing so far on amounts or terms, but we can predict with considerable confidence that the financing this month will range between $2,000,000,000 and $3,000,000,000. . . . And this is despite the income tax collections total due on the 15th. . . .

What possibilities? Perhaps another certificate of indebtedness issue will be tried, for these securities are popular and the latest issue out—the ⅞s of Aug. 1, 1943—are now selling at a 2/32 premium. . . . Since the reduction in reserve requirements of Chicago and New York banks, demand for this issue has increased noticeably. . . . And then there's a good chance the discount bill issues, sold weekly, will be expanded. . . . Guess is, the total offering may be raised to $400,000,000. . . .

Incidentally, the Treasury has benefited directly from the reduction in reserve requirements through the better demand and better price paid for the last issue of discount bills. . . . Rate went down from 0.372 to 0.369%. . . .

Willard Daggett With Stifel, Nicolaus Co.

CHICAGO, ILL. — Stifel, Nicolaus & Co., Inc., 105 West Adams Street, announce that Willard Daggett is now associated with them in their sales department in Chicago. Mr. Daggett was formerly with Holley, Dayton & Gernon as Manager of their Madison, Wis., office.

Robt. W. Duff Now With Link, Gorman & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — Robert W. Duff has joined the staff of Link, Gorman & Co., Inc., 208 South La Salle Street. Mr. Duff was formerly Vice-President of Traction Securities, Inc. Prior thereto he was trading manager for Robert J. Phillips & Co. and was with Moore, McLean & McDermott.

DIVIDEND NOTICES

Beneficial Industrial Loan Corporation
DIVIDEND NOTICE

Dividends have been declared by the Board of Directors, as follows:

PRIOR PREFERENCE STOCK
$2.50 Dividend Series of 1938
62½c per share
(for quarterly period ending Sept. 30, 1942)

COMMON STOCK
37½c per share

Both dividends are payable Sept. 30, 1942 to stockholders of record at close of business Sept. 15, 1942.

E. A. BAILEY
September 1, 1942 *Treasurer*

KANSAS CITY POWER & LIGHT COMPANY
First Preferred, Series B Dividend No. 63
Kansas City, Missouri. August 31, 1942

The regular quarterly dividend of $1.50 per share on the First Preferred, Series "B," Stock of the Kansas City Power & Light Company has been declared payable October 1, 1942, to stockholders of record at the close of business September 14, 1942.

All persons holding stock of the company are requested to transfer on or before September 14, 1942, such stock to the persons who are entitled to receive the dividends.

H. C. DAVIS, *Assistant Secretary.*

THE CHESAPEAKE AND OHIO RY. CO.

A dividend for the third quarter of 1942 of one dollar per share on Preference Stock, Series A, and of seventy-five cents per share on $25 par common stock will be paid October 1, 1942, to stockholders of record at close of business September 8, 1942. Transfer books will not close.

H. F. LOHMEYER, *Secretary.*

MARGAY OIL CORPORATION
DIVIDEND NO. 49

The Board of Directors of the MARGAY OIL CORPORATION has this day declared a dividend of twenty-five cents a share on the outstanding stock of the corporation of the issue of 160,000 shares provided by amendment to the certificate of incorporation of April 27, 1926, payable October 10, 1942, to stockholders of record at the close of business September 19, 1942.

E. D. OLDENBURG, Treasurer
Tulsa, Oklahoma, September 1, 1942.

American Locomotive Company
30 CHURCH STREET
NEW YORK, N. Y.

Preferred Dividend No. 137

A dividend on the Preferred Capital Stock of this Company of $1.75 per share on account of accumulated dividends has been declared payable September 24, 1942, to the holders of record of said stock at the close of business on September 9, 1942.

Transfer books will not be closed. Checks will be mailed by the Bankers Trust Company on September 23, 1942.

JOHN D. FINN
August 27, 1942 *Secretary*

GUARANTY TRUST COMPANY OF NEW YORK
New York, September 2, 1942.

The Board of Directors has declared a quarterly dividend of Three Per Cent. on the Capital Stock of this Company for the quarter ending September 30, 1942, payable on October 1, 1942 to stockholders of record September 9, 1942.

MATTHEW T. MURRAY Jr., Secretary.

JERSEY CENTRAL POWER & LIGHT CO.
PREFERRED STOCK DIVIDENDS

The Board of Directors has declared the following regular quarterly dividends: The 70th qtly. div. of $1.75 on the 7% Preferred Stock; the 61st qtly. div. of $1.50 on the 6% Preferred Stock; and the 45th qtly. div. of $1.37½ on the 5½% Preferred Stock. Payable on Oct. 1st, 1942, to stockholders of record at the close of business Sept. 10th.

R. R. BOLLINGER, *Treasurer.*

NATIONAL DAIRY PRODUCTS CORPORATION

A dividend of 20¢ per share on the Common stock has been declared, payable October 1, 1942, to holders of record September 8, 1942.

GEORGE H. RUTHERFORD
August 27, 1942 *Treasurer*

NEW YORK TRANSIT COMPANY
26 Broadway
New York, August 20, 1942.

A dividend of Thirty (30) Cents per share has been declared on the Capital Stock ($5.00 par value) of this Company, payable October 15, 1942 to stockholders of record at the close of business September 25, 1942.

J. R. FAST, Secretary.

Municipal News & Notes

San Antonio Bonds On Market

The $33,950,000 San Antonio, Texas, electric and gas revenue bonds, bearing 2½, 2¾ and 3% interest, due serially on Aug. 1 in 1944 to 1972, were offered Tuesday for general subscription by a large underwriting group headed by Dillon, Read & Co., A. C. Allyn & Co., Inc., The Union Securities Corp., and E. H. Rollins & Sons, Inc. The 1944 through 1971 maturities were priced to yield from 1 to 2.90% according to maturity, while the 1972 2½% coupon bonds are priced at 104% for public investment.

This offering is part of a transaction representing the largest acquisition of a privately owned utility property for public ownership since 1937. The purpose of the financing is to effect the purchase by the city of San Antonio of the electric generating and transmission facilities, electric and gas distribution systems in the city, and certain electric and gas distribution facilities in surrounding areas now owned by San Antonio Public Service Company.

Upon completion of the financing, the city of San Antonio will own and operate the properties described, which are to be mortgaged under the indenture under which these San Antonio Electric and Gas revenue bonds are issued. The bonds will be part of an issue of $35,000,000 bonds authorized under the indenture, and will be special obligations of the city of San Antonio payable from the net revenues derived from operations of the electric system and gas distribution system of the city.

The nation-wide selling group reported early that active investor interest in the bonds had been manifest for all maturities. It was said that an avalanche of advance orders had come into the market prior to the formal offering. Banks are understood to have bid for most of the earlier maturities, with like companies and other institutions competing for the longer-term due dates.

Municipal Men Adopt Wood's Opinion Against SEC Proposal

New York municipal bond dealers, through the medium of their Municipal Bond Club, voted last week complete opposition to the proposed rule of the Securities and Exchange Commission, X-15 C1-10, demanding in the field of exempted securities disclosure to customers of the best independent bid and asked prices.

The club adopted an opinion written by David M. Wood, of the law firm of Thomson, Wood & Hoffman, and President of the club, in which the proposed SEC rule was condemned as invalid under the Securities Exchange Act and as an attempt of the Commission to seize powers which had been specifically denied to the Commission by action of Congress.

The report also held that the proposal tends to make an unsupportable distinction between securities issued by the Government and those issued by States and municipalities, a subdivision of exempted issues not detailed in the law.

It was voted to send the Wood report at once to the SEC as the expression of members in reply to the Commission's request for such expression before Sept. 15.

Summing up his views of the rule, Mr. Wood told the club that there can be little doubt that the rule, "in so far as it purports to be applicable to exempted securities, is invalid."

FLORIDA

FLORIDA MUNICIPAL BONDS

Our long experience in handling Florida issues gives us a comprehensive background of familiarity with these municipal bonds. We will be glad to answer any inquiry regarding them at no obligation.

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INVESTMENT SECURITIES
1ST NAT BANK BLDG CHICAGO ILLINOIS

"It is not a definition of deceptive, manipulative or other fraudulent devices or contrivances, but rather, is an attempt, in the guise of definition to regulate the business in certain exempted securities and not in others," Mr. Wood declared.

"It is an attempt on the part of the Commission to usurp powers which were denied to it by Congress in 1936, and which its then chairman stated it did not desire, and which were again denied to it by it by Congress, after a thorough consideration of the Commission's point of view, in 1938."

Chicago Meeting Also Raps Proposal

Sentiment of municipal men as a whole was further disclosed last Saturday at a meeting of the National Security Traders Association in Chicago. Its municipal committee approved a recommendation that it was the position of the Association that the rule is invalid, as applied to State and municipal securities.

The recommendation on the proposed SEC rule was presented by James F. Musson, of B. J. Van Ingen & Co., Inc., New York, chairman of the association's municipal committee. Mr. Musson declared that the position taken in the recommendation represented the feeling of the entire municipal fraternity. The recommendation adopted said in part:

> **"After due consideration and study the municipal committee of the National Security Traders Association believes that the proposed rule is invalid as it applies to exempted securities, and concurs with the conclusions of the brief written by David M. Wood, attorney of Thomson, Wood & Hoffman, New York, and President of the Municipal Bond Club of New York."**

New Orleans Cancels Offering

The above city has cancelled its proposed offering Sept. 15 of $12,000,000 refunding bonds.

Major Sales Scheduled

September 11

$799,444.73 Minneapolis, Minn.

Last April the city awarded bonds to a syndicate headed by Halsey, Stuart & Co., Inc. The Northern Trust Co. of Chicago, and associates, were the runners-up in the bidding.

September 18

$1,140,000 Cuyahoga Co., Ohio

Last July 17, the county awarded an issue to a syndicate headed by the Ohio Co. of Columbus, whose bid topped that submitted by Blyth & Co., Inc., and associates.

September 22

$500,000 Honolulu, Hawaii

In June, 1941, the above city and county awarded an issue to Dean Witter & Co. of San Francisco. The only other bid for the bonds was submitted by the Bank of Hawaii, Honolulu.

Tomorrow's Markets Walter Whyte Says—

Technical indications, lack of good news, added to seasonal trends, make for down market. If market to advance technical picture must change by Monday.

By WALTER WHYTE

The market has stayed long enough in this range (106-107 D. J.) and if it's to do anything on the upside it had better do it before we are a week older. For the longer it stays under the July tops (about 110) the more serious these tops will begin to appear. As it is, prices have made almost a straight line move from about the middle of August until the present date.

* * *

Now a straight line market, particularly if it follows a rally and a minor decline, is nothing to be disturbed about. On the contrary when a decline is indicated and the market moves across the tape in a lethargic pattern with no visible trend indicated, the end result is quite likely to be bullish rather than bearish. Ordinarily such would be the outlook today if it weren't for the very obvious fact that all present market action (and recent too) is under two tops—July and August. If you have any doubts about these so-called tops take a look at the markets of July and mid-August. These were tested at least four times in the last four weeks. And each time something came along and prevented prices from going through.

* * *

In the usual course of events a market finding overhanging stock too much to take at one gulp may back off to get another shot at it. This backing off is simply another word for reaction. Or it may just lie still, gathering strength until it has absorbed enough to try it again. Of the two, the latter seems in evidence today.

* * *

Last week I discussed what I called the 10-day theory. I tried to show how a single stock or the market as a whole may indicate a move and then for some reason back off and not attempt to live up to its indications for another 10 days. I further said that for some unknown reason the market did move in such 10-day cycles. Sometimes this cycle was reduced to less than 10 but it always worked in units of twos, seldom in odd figures. Well, the 10 days are about over. If the theory has any value it must either take effect within the next three days (that will bring you into Monday of next week) or you can look for a decline of say anywhere from three to six points.

* * *

When one considers present market action, present news, both domestic and foreign, the total hardly adds up to anything which might be called a bullish outlook.

* * *

Taking all this into consideration I think it's about time to begin cleaning up stale accounts. Of course if you're satisfied with what your stocks are doing then there is little to say, except this: if you have what you think is a good stock and the market goes off you can buy it back cheaper. If you hold a stock which is neither good or bad—just one of those things—the same thing applies. If you have a bad stock then you don't want it at any price. In any case you don't have to be married to it.

Readers of this column are now committed to six stocks: Air Reduction, Allis Chalmers, Crane, International Harvester, Pittston and Union Carbide.

* * *

I advise as follows: Air Reduction—stop at 31. If it rallies take part profits at 35 or better. Allis Chalmers—stop at 23. Half profits at 27 or better. Crane—stop at 11. Full profits at 15 or better. International Harvester—half profits were taken at about 50. Stop the rest at 44½. Pittston—because of its price it's a difficult one to figure. If you can get about 3 for it, take it. Union Carbide—was another stock in which half profits were taken when it hit 70. Stop the rest at 66.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

We Maintain Active Markets in
Minneapolis, St. Paul & Sault Ste. Marie
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RAILROAD REORGANIZATION SECURITIES

RAILROAD SECURITIES

Railroad observers are beginning to look forward to the possible blossoming of a second crop of icicles in hell in the near future. About two and a half months ago the management of the new Erie startled the financial community by declaration of an initial dividend of $0.50 a share on the new common and the certificates of beneficial interest. It is expected that the regular monthly meeting of the Board of Directors will he held on Sept. 18, and if a regular quarterly dividend policy is to be established action will naturally be taken at that time.

To provide holders of the old refunding 5s with the full $50 annual income to which they were entitled on their old bonds, it would be necessary to pay dividends of $1.67 a year on the new common stock. Of this amount, $0.50 was provided in the June declaration and it is generally expected that another $1.00 will be paid, or at least declared, before the year-end. The main difference of opinion in financial circles is as to whether the expected $1.00 additional will be paid in two installments or in one year-end distribution.

The complete optimism that the full amount will be paid in one way or another has been further bolstered by recent approval by the Senate Finance Committee of a proposal that reorganized railroads shall be allowed to maintain their old property investment bases in figuring excess profits tax liabilities and for depreciation. While it was claimed that the Erie proceedings represented a recapitalization and not a reorganization, and that the road could use its old investment base even without the remedial legislation, there had remained in many minds some uncertainty as to the validity and efficacy of such reasoning. These doubts have now been quieted, bringing about a marked strengthening in the market status of the Erie junior equity.

Even when a wave of uneasiness has hit the general markets in recent weeks Erie common and the certificates of beneficial interest have continued to sell in heavy volume in new high ground for the year. This market position should be further strengthened if the directors give an indication of their purpose of putting the shares on a regular dividend basis. A regular rate of $1.50 a year would certainly appear conservative under present conditions and foreseeable circumstances.

Erie has been enjoying a highly successful year despite the impact of substantially heavier maintenance work, increased wages and inevitably higher tax rates. Gross for the first seven months of 1942 showed a rise of some 27% over a year ago and net operating income increased more than $700,000. The gain in net was equivalent to approximately $0.43 a share of common. Without any further improvement during the balance of the year this would allow earnings of $3.42 a share for the full year 1942. From the standpoint of a feasible and conservative dividend policy it should also be noted that a large share of reported earnings should readily be available for distribution, as these earnings are after allowance for sinking funds and for the additions and betterment fund. Earnings statements of non-reorganized roads are normally before such deductions.

Actually it is estimated that Erie's earnings will show further substantial year-to-year improvement in coming months, and that final results will be well in excess of $3.42 a share. The best estimate at the present writing would appear to be in the neighborhood of $4.25 to $4.50, compared with just about $3.00 last year. Traffic will certainly hold to high levels, it seems likely that the rate of maintenance may be reduced in coming months, and in the last third of the year the wage level will be comparable with that of a year ago. In some quarters it is also believed possible that tax accruals so far may have been on the conservative side, and that the final bill of Erie will be less burdensome. In the meantime, dividend prospects are further bolstered by the company's strong financial position. Cash items as of the end of June were in excess of $25,000,000 and equivalent to almost four years' fixed charges. In addition, miscellaneous accounts receivable were more than double those of a year ago, aggregating $5,913,000, and inventories of materials and supplies had been bolstered heavily.

On the basis of the sound debt structure set up in reorganization as well as on the prospects of more liberal and regular income return, many rail men are still pressing for an exchange into Erie from such marginal equities as Central, Northern Pacific, Southern Pacific, etc.

RAILROAD BOND LETTER
this week will include easily comparable earnings figures for most major railroad systems for July and seven months 1942—together with some suggested purchases, in the high yield, interest-paying group, which we think have better than average attraction.
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Cleveland Traders Elect New Officers

CLEVELAND, OHIO — The Cleveland Security Traders Association announces the election of J. N. Russell, Gillis, Russell & Co., as President of the Association, succeeding Edward E. Parsons, Jr., of Wm. J. Mericka & Co. Harry Gawne, Merrill-Turben & Co., was named Vice-President; Everett A. King, Maynard H. Murch & Co., Secretary, and Thomas A. Melody, First Boston Corporation, Treasurer.

Correction

In the "Financial Chronicle" of August 27th in reporting that Andrew R. Butler would become a partner in Butler, Herrick & Marshall, 30 Broad Street, New York City, members of the New York Stock Exchange, it was stated that Andrew R. Butler had formerly been a limited partner in the firm. This was in error; we are informed that Andrew R. Butler, a son of George P. Butler, one of the original founders of the firm, has been associated with the firm since October, 1939, but was not previously a partner.

RR. Mortgage Table Ready

The 1942 edition of "Brooks Railroad Mortgage Table" and "The Reorganization Supplement" are now ready for distribution. The Mortgage Table contains tabular analyses of leading railroad debt structures while The Reorganization Supplement interprets the complex reorganizations as promulgated by the ICC or other parties in interest.

Defaulted RR Bond Index

The defaulted railroad bond index of Pflugfelder, Bampton & Rust, 61 Broadway, New York City, shows the following range for Jan. 1, 1939, to date: high—40⅜; low—14¾; Sept. 2 price—39⅚.

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Bank and Insurance Stocks

This Week—Insurance Stocks

With two-thirds of the year now gone, and with the pattern of things to come beginning to take shape, it is perhaps possible to arrive at a fairly accurate preview of underwriting results for the Fire Insurance Industry in 1942. Premium income will, of course, reach a new all-time peak reflecting higher property values, new construction and the unprecedented movement of goods for armament purposes. Most representative companies will apparently write 10% to 20% more business in 1942 than in 1941. This trend is particularly noteworthy because writings last year were the largest in history, exceeding by a slight margin those in the boom year of 1929.

Despite this substantial step-up in volume, fire losses for the first seven months are only slightly above the corresponding period of 1941. As a matter of fact, were it not for the poor experience in January and February, losses would actually be below last year. Since March, i.e. for five consecutive months, estimated losses have been lower than in the same months of 1941. A monthly comparison of losses, as estimated by the National Board of Fire Underwriters, is a sfollows:

—In Millions—

	1941	1942
January	$26.5	$35.6
February	26.1	30.8
March	31.5	30.5
April	29.3	28.0
May	25.6	23.2
June	24.9	22.4
July	23.7	21.0
Totals	$187.6	$191.5

On the face of things, the straight fire business should be producing very satisfactory profits. However, due to the greatly enlarged premium volume and certain other extraordinary developments, underwriting results for the industry as a whole—and particularly for some individual *companies—will be considerably distorted this year.* For example, even though loss and expense ratios drop, underwriting profits of an insurance company may also drop if its premium volume rises substantially. This is one of the peculiarities of insurance company accounting which is often confusing to the lay investor or analyst who has not had occasion to study the matter in detail. What happens, of course, is that new business must be reserved for 100% as it is put on the books and, if the old business "runs off" more slowly than new business is added, there is a corresponding drain on the Surplus Account. As a result, there may be a superficial and temporary underwriting "loss" on a so-called statutory basis even when the actual experience is highly favorable.

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Another element that will make for unusual divergence in the results to be reported this year by individual companies is the Ocean Marine situation which developed last winter and spring. This was the nearest thing to a "catastrophe" that has been suffered by the fire insurance business during the past decade; as usual, however, the companies were in a position to take these losses "in stride" and to work out a satisfactory modus operandi for the future. There has been a tendency in some quarters to criticize the industry for having underestimated the dangers inherent in the Ocean Marine business. In certain cases, also, where companies had not been accepting such business regularly, executives have been taken severely to task for becoming involved in it. But the matter was not quite as simple as that.

After all, we came into the War very suddenly and the machinery had not been set up by the Government to assume responsibility for administering the necessary maritime and war risk insurance. This has now been done but, during the transition period, shippers obviously required coverage—and they got it. They got it because the insurance industry could and did cooperate, on a syndicate basis, to handle the situation. When risks became too great for the few companies that normally handle most of the ocean marine business, other leading companies were invited to participate—and most of them did. Whether patriotism or hope of profit was the motivating force in each case was, perhaps, immaterial. The job was a big one—and it was done as only a strong self-reliant industry could do it.

Of course, second-guessing is a relatively easy and popular pastime. Unfortunately, neither our military experts nor our insurance underwriters can go back and play their hands over. If they do not produce, they do not last, and that is known as the survival of the fittest. In the insurance field, however, losses are not always an unmixed calamity. Frequently a bad loss is the best possible advertisement the insurance business can have because it emphasizes the need for insurance and also publicizes the ability of the companies to meet such obligations when they arise.

Obviously few people, either in or out of the underwriting field, anticipated that shipping losses would be as severe as they were. No one could foresee that our naval defenses would be so weak and our convoy methods so inadequate. These shortcomings are already being rectified. Meanwhile the Insurance Industry can be proud of its initial contribution to the war effort. But it will neither ask, nor receive, any particular thanks. The insurance business is not operated as a relief project. In order to achieve the greatest good for the greatest number, an insurance company must remain solvent—and to remain solvent, it must make profits. That is the essence of the private enterprise system—and the insurance business is one of the most virile and efficient examples of such a system.

Had it not been for these abnormal losses on Ocean Marine business, ordinarily a relatively minor line, the fire insurance industry would be enjoying a very profitable year. Even the automobile fire and theft business, which has been rather unsatisfactory in recent years, is expected to produce a good profit. People are exercising much greater care in the operation and preservation of their automobiles. Furthermore, most policyholders will retain their fire and theft coverage, which costs very little, even when their cars are placed in storage. Therefore, until sufficient cars are actually worn out and scrapped to reduce the existing supply, no serious reduction in premium income from fire and theft coverage is to be expected.

Because of the special conditions discussed herein, the overall loss ratio for most fire companies in 1942, will be the poorest in many years. In each case it will be necessary to look behind the superficial figures to arrive at an understanding of the actual situation. What is most important, on a longer term basis, is that there has apparently been no fundamental change in the character of the fire insurance business. One interesting, and significant, development of the year has been the training of our civilian population in fire prevention and control. Never before have our people been so "fire conscious" as they are today, and never before have they been drilled and equipped to fight conflagrations of all types as they now are. This experience, now being undertaken as an integral part of the war emergency, should have definite long term value in reducing property losses after the war is over.

PRIMARY MARKETS IN

INSURANCE STOCKS

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In The Armed Forces

Kenneth S. Beall, a partner in the firm of Cruttenden & Co., Chicago, Ill., has been commissioned a Lieutenant AV (P) and has reported to the U. S. N. Air Station at Quonset, Rhode Island.

Ben W. Boas, who was actively identified in Wall Street for over 25 years and more recently with Ernst & Co., members New York Stock Exchange, has been commissioned a Lieutenant in the United States Naval Reserve.

Ford T. Hardy, manager of the investment division of Merrill Lynch, Pierce, Fenner & Beane, New Orleans, La., has been commissioned a First Lieutenant in the U. S. Army Air Corps and will report on Sept. 4 in Miami, Fla., for duty.

J. Kirk Milnor, formerly of Van Deventer Brothers, Inc., New York City, has been commissioned a Captain in the U. S. Army Air Corps and will be stationed at Miami Beach, Fla.

Sidney L. Parry, Vice-President of the Chicago Stock Exchange, has been commissioned a Lieutenant in the U. S. Naval Reserve. He is taking a leave of absence from the Exchange to serve on the Naval Aviation Cadet Selection Board until Oct. 21 when he will report to Quonset Point, R. I. Lieutenant Parry has been with the Exchange since 1928 and became Vice-President in 1939.

Robert M. Pearce, President of Pearce & Co., Inc., Camden, N. J., has been appointed a Captain in the U. S. Army Air Corps and announces that his firm will discontinue business for the duration.

Lawrence Stiver, formerly with J. S. Bache & Co., Cleveland, Ohio, is entering the U. S. Navy.

Warner M. Washburn, a partner in Lamson Bros. & Co., Chicago, has been commissioned a Lieutenant in the U. S. Naval Reserve. Lieutenant Washburn has taken leave of absence from his firm and will report to the naval training station at Newport, R. I., for indoctrination.

T. Courtenay Jenkins Dies

T. Courtenay Jenkins, partner in Jenkins, Whedbee & Poe, Baltimore, Md., died at his home at the age of 61. He had been ill for about a year.

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(ESTABLISHED 1817)

Paid-Up Capital £8,780,000
Reserve Fund 6,150,000
Reserve Liability of Prop. 8,780,000
£23,710,000

Aggregate Assets 30th Sept., 1941 .... £150,939,354

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UP-TOWN AFTER 3

ABOUT THE TOWN

For months I have heard about the doings at **Mother Kelly's (B'way & 50th)** but being naturally lazy I just didn't get around to seeing it. Well, the other night I did. I expected to meet a motherly sort of person, the kind who would carry the name Mother Kelly with proper maternal dignity. How was I to know that "Mother" Kelly was a big Irishman, short sleeves and a shirt open at the throat displaying a hairy chest which seemed anything but motherly. Understand that even his son calls him "mother" though his name is Bob. That is, Mother Kelly's name is Bob—not his son. Say, before I get all confused, I'd better tell you about the show. It consists of **Cully Richards, Sid Tomak,** the **Reise Brothers, Danny Rogers, Jack Oakie, Lolita Cordoba** and **Renee Rochelle.** The whole thing is geared for laughs, referred to in less dignified circles as "belly." Done in a series of blackouts, the comics keep things roaring. Custard pies, seltzer squirters and general bedlam is the order of the day here. The comedy lines are equally broad. No subtlety at "Mother" Kelly's, but does the crowd love it! They just roll with laughter. . . . **It Happened in Radio**—What with the war the radio people are unusually careful about admitting anyone to the studios. Everybody must have a pass. **Cliff Nazarro,** the double talk expert and movie actor, was signed for a guest appearance and showed up for rehearsal. Unaware of the pass restrictions, he tried to walk in and was stopped by the guard who demanded his pass. "Surely, you don't framis the dramforth on the creeve from Mr. Royal," said Nazarro. "I beg your pardon?" said the puzzled guard. "I still have the portisan framis that Mr. Sarnoff delvied for the trismass drill," Nazarro replied. "Uh huh," answered the guard with a dazed look. "I guess it's okay. You can go in." Another one is told about the rules applying to musicians using any but the regular "stage" elevators, a kind of glorified freight car. All musicians if carrying their instruments must use this elevator at NBC. One man, well dressed, carrying a violin case tried to enter the passenger elevator. He was stopped and told to use the "stage" elevator. "But I have a broadcast in ten minutes," protested the man. "I suppose you have," replied the operator impatiently, "and that's why you'll use the other elevator." "But I'm Jascha Heifetz," protested the musician. "I wouldnt care if you're Rubinoff," said the operator. "You'll still use the 'stage' car."

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Investment Trusts

NOTES ON INFLATION

The latest publications of three leading investment company sponsors point clearly to the dangers of inflation. Moreover, their words of warning are supported with statistics showing the extent to which inflation has already progressed in this country.

National Securities & Research Corporation devotes the main discussion in its Aug. 27 *Investment Timing* to inflation under the thought-provoking title, "Cash Is An Investment." The bulletin points out that "cash is merely another type of investment, with potential advantages and disadvantages." The investor today, it concludes, "cannot really keep from being fully-invested by holding cash."

(In commenting on the intermediate trend of stock prices, this sponsor confirms the upward trend forecast in its bulletin of Aug. 13.)

The Keystone Corporation of Boston takes an interesting viewpoint in its Aug. 21 issue of *Keynotes.* The bulletin asks, "How Safe Is Cash?" By means of a chart it is shown that the purchasing power of the dollar has declined 24% since 1939. In other words, the dollar, in terms of what it would buy in 1939, is worth only 76c today.

The Aug. 29 issue of *Brevits* discusses certain aspects of inflation under the title, "Yields And Living Costs." Taking the period from June 1941 to last June, the bulletin points out that last June the cost of living index stood at 97.3, up from 88.5 for June 1941 and from 93.2 at the end of last year. It goes on to state that, "As indexes go, that's not a very radical change, but it's nearly 10% and expressed in terms of money it means that last year's ten dollar bill is worth only nine dollars today."

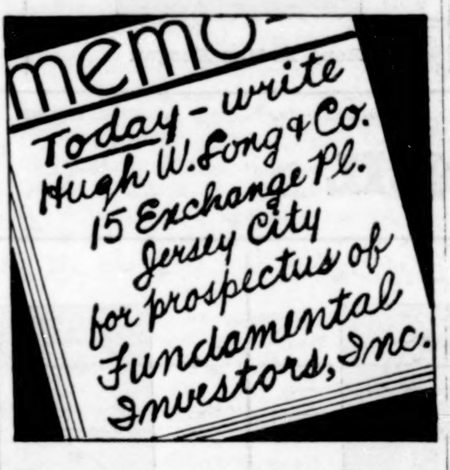
Good Reading

A steadfast purpose of this column is to aid in dispelling the prejudices which isolated past mistakes, faulty information, and bad publicity have created toward the investment company field. In this endeavor we have found that the most constructive thing we could do was to let the individual companies tell their own straightforward story. It is with this thought in mind that we are reprinting the following letter:

"Aug. 21, 1942

"To Our Shareholders:

"You will find on subsequent pages of this report detailed statements covering the operations of your corporation for the six months ended July 31, 1942, and its condition as of that date. . . . We suggest a careful reading of the figures by all shareholders.



"We believe that shareholders will be gratified by the fact that net assets of the fund have now crossed the $9,000,000 mark. The exact figure was $9,000,728.28 on July 31, and both that figure and shares outstanding of 1,354,216 represent the largest totals in the life of the Fund up to that date. As this letter is written, net asset value has increased to $9,452,182.18.

"Bond interest earned during the six months amounted to $318,973.39. All bonds held paid their full interest in the period under review and, in fact, all have done so without interruption since their original dates of issuance. Net operating expenses were $43,426.98. . . . Distributions to shareholders from the 'ordinary distribution account' during the period totaled $282,366.81 leaving a net balance in the account on July 31, 1942 of $6,366.69. These distributions took the form of two quarterly payments of 11c per share each on April 15 and July 15, 1942. In addition an 'extraordinary distribution' from net realized profits on sales of securities was paid on April 15, 1942 in the amount of 3c per share. Thus, total distributions for the period were 25c per share as against 22c per share in the corresponding period of the previous fiscal year. There follows a tabulation, on a per share basis, of the distributions paid since the inception of the Fund.

"The cost of investments held on July 31, 1942 was $199,955.50 greater than market value on that date. The earlier portion of the semi-annual period under review was characterized by a declining trend in securities prices which reached its low point in late April and apparently was based largely on public expectations of a short war which, unfortunately, seem to have been not at all well founded. The subsequent recovery which appears still in progress has not yet erased the earlier decline. However, as of the date of this letter, this unrealized loss has been replaced by an unrealized profit of $15,152.00, or a total improvement of $215,107.50.

HISTORICAL RECORD OF DISTRIBUTIONS

Date	Ordinary Distributions	Extra-Ordinary Distributions	Total Distributions
10-15-38	$0.12		$0.12
1-16-39	0.12		0.12
4-15-39	0.12	$0.05	0.17
7-15-39	0.11	0.02	0.13
10-15-39	0.11		0.11
1-15-40	0.11	0.07	0.18
4-15-40	0.10	0.02	0.12
7-15-40	0.10		0.10
10-15-40	0.10		0.10
1-15-41	0.11	0.02	0.13
4-15-41	0.11		0.11
7-15-41	0.11		0.11
10-15-41	0.11	0.05	0.16
1-15-42	0.11	0.02	0.13
4-15-42	0.11	0.03	0.14
7-15 42	0.11		0.11
	$1.76	$0.28	$2.04

Ordinary distributions are derived from bond interest but after the deduction of the normal operating expenses of the Fund. *These distributions represent true net investment income.* Extra-ordinary distributions are derived entirely from realized net profits on bond transactions. There is no regular expectancy of such extra-ordinary distributions as they are paid only when net earnings from realized security profits are available for such purpose.

"Since more than 70% of the portfolio of the Fund is currently devoted to railroad bonds, some comment on the position of the railroads seems appropriate. An increase of approximately 70% in net income for the first half of 1942 over the corresponding period of 1941 was achieved by the carriers, whereas industrial companies generally are estimated to have suffered a decline of 30 to 35% in the same period. The railroads have large invested capital positions and most of them will be largely or entirely immune to excess profits taxes. Thus, they should be able to increase substantially their cash holdings which already stand at an all time record figure—in excess of $1,000,000,000.00. It is expected that a number of roads will devote substantial portions of their reserves to the purchase of their own bonds at discounts, thus strengthening the position of the bonds remaining outstanding.

"One significant recent development has emphasized the great improvement in railroad earnings. Most states prescribe by law those bonds which are legal investments for Savings Banks and Trust Funds, and earnings are one of the most important factors in the qualification of 'legals.' New York State is looked upon as a leader in this respect and bonds legal in New York are frequently given legal status in a number of other states. Due to the improvement in railroad earnings, nearly $2,500,000,000.00 of rail bonds were recently added to the New York legal list. Fifteen of these issues are held in the portfolio of the Fund and New York legals represented 39% of its investment holdings on July 31, 1942.

"Over the past two or three years the management has increased the percentage of railroad bonds in the portfolio from approximately 35% to its present figure of slightly over 70% in recognition of the steadily improving position of the carriers. It should be kept in mind, however, that (your Corporation) is a *general* bond fund and that it is free to alter the composition of its holdings at any time to reflect the judgment of the management on changing conditions.

"Your management will welcome comments or questions from the shareholders on this report or on the affairs of your corporation at any time."—From the semi-annual report of *Manhattan Bond Fund.*

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Edwin P. Schneider With J. S. Bache In Columbus

(Special to The Financial Chronicle)

COLUMBUS, OHIO—Edwin P. Schneider has become associated with J. S. Bache & Co., 16 East Broad Street. Mr. Schneider was formerly Manager of the Trading Department for W. M. Zuber & Co. and prior thereto was with Stevenson, Vercoe & Lorenz.

The Securities Salesman's Corner

DON'T THINK IN CIRCLES

The other day we noticed an advertisement for one of those courses in mental training. Although this department makes no brief for any of these so-called short cuts to self mastery, we were impressed by the wording of the advertisement. It went something like this, "Do you ask yourself, how shall I begin, what shall I do next? Have you a confusion of ideas, etc., etc.?" There is no doubt that nearly everyone could improve in respect to learning how to marshall our thoughts and concentrate them upon a given objective.

There is no better way to increase self efficiency than to learn how to unite your mental proesses and use them to the best advantage.

Here are a few rules that apply particularly to the profession of salesmanship. Some of them are "old timers" but they are worth repeating because they are the foundation stones upon which successful effort in every walk of life can be constructed.

1.—Plan tomorrow's work today. Know what you are going to do with your day. Make some appointments if possible. Set aside the time you are going to be in the office so that the rest of the day can be spent in the field. If you think it will help you, have the office stenographer type out your schedule and have it on your desk so that it will be there to greet you in the morning.

2.—Plan your interviews. If you are going to see certain accounts with whom you are acquainted, have something specific to talk about. If one of them holds some securities that should be exchanged or traded, have the reasons why you think so ready. Go into the interview with your facts at hand, make them brief and to the point. A straight line will always be the shortest distance between your sales talk and the order.

3.—If you have a new issue to sell, or something special to recommend, it sometimes helps to put the highlights down on a piece of paper. Go over the situation yourself and pick out what you believe to be the most attractive features of the offering. Set them down in the INVERSE order of their importance. For example, if there are five main selling points that are outstanding, place the one which seems to you to be the least important at the head of the list. Make it number one, the next in importance should be number two, and so on until your best feature is last. This is where the sales clincher SHOULD come in. This is your "ace in the hole." Oftentimes we shoot our heaviest guns at the beginning of our sales talk and then become progressively weaker as we go along. This is just what we should not do if we wish to place the most emphasis at the point where we ask for the order. Again it sometimes is helpful to have these highlights typewritten on a handy card that can be carried in a coat pocket. Just before making a call it can be referred to as a reminder.

4.—Do one thing at a time. Don't start one job until the one you are on has been finished.

Anyone who becomes a successful salesman has to learn how to concentrate, how to do the hard jobs first, how to think things through, how to meet disappointments and cast them aside, and how to stand on one's own feet and make your own way in the give and take of life. It's a tall order, mates, and the pay isn't any too good, especially in times like these, but there are some of us who wouldn't trade our jobs for all the gilded desks, fancy offices and regular pay checks in existence. We'll take it the hard way —on commission—the only way we know how to make our living —by working for it.

P.S.—SEC please take notice; there is a lot more to selling securities than you see when you look over the books and inspect the orders in our files. If you insist that we salesmen have to tell our customers the inside bid and ask price every time we do business with them you are going to force us out of business. No salesman can afford to destroy his customer's confidence by dishonest dealing. Only crooks take unfair advantage and strive for unconscionable profits. Rule X-15C1-10 will not stop the small number of crooks who infest our business *(the same as any other)* but if you put it into effect, it will stop ALL THE REST OF US WHO MAKE SECURITY SALESMANSHIP AN HONORABLE PROFESSION.

Rail Bond Letter

This week's issue of Leroy A. Strasburger & Co.'s Railroad Bond letter will include easily comparable earnings figures for most major railroad systems for July and seven months of 1942, together with some suggestions which, the firm believes, offer better than average attraction. Copies are available to dealers only and may be had upon request from Leroy A. Strasburger & Co., 1 Wall Street, New York City.

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(Continued on page 802)

29 YEARS

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Greetings From Present And Past Officers

WM. PERRY BROWN

Wm. Perry Brown

Notwithstanding the patriotic cancellation of the Ninth Annual Convention of the National Security Traders Association, the members who attended the meetings of the Association in Chicago on Aug. 28-29 realized as never before the importance of their membership in the National Security Traders Association and the contribution that the Association is making to the industry.

At these meetings, I realized fully the confidence that the membership placed in me when I was nominated to the office of President of the National Security Traders Association and the responsibilities undertaken by all of the officers and members of the Executive Council. I am pleased to speak for these men and to deliver a message to you that we expect to meaure up to the expectations and trust placed in us.

The foremost job ahead for our industry is to perform as patriotically as possible in the war effort. Our industry is just as much a part of this effort as any other industry. We have been doing our part since Dec. 7, 1941, in a most unselfish manner. Our membership has augmented the armed forces of our country materially and we likewise have, without profit, been behind the sale of war bonds 100%. We stand ready and willing to be called upon at any time by the Commander-in-Chief or our great country for future patriotic duty.

Each and every member of this Association is willing to assume his share of the responsibilities entrusted to him for the benefit of our business as a whole. We have much serious business confronting us during these trying times and the united efforts of all will bring about a most happy result.

Cordially yours,

Wm. Perry Brown

EDWARD H. WELCH

Edward H. Welch

Organized in Chicago in 1934 the National Security Traders Association, Inc., has done much to maintain the high Standards of Trading in the Over-the-Counter markets. An organization of individuals rather than of firms, it has worked consistently for the general welfare of the business and its members.

Today we are faced with many uncertainties and must be ready to meet any adversities with full courage. Many have left our midst for the armed forces, some of whom have already made the Supreme Sacrifice.

We at home are not going to be found wanting, but stand ready to aid in whatever way we are best fitted. Let us renew our pledge to work together for the common good and surmount all difficulties that may confront us in our daily work. I fully realize the responsiblity placed upon me as Secretary for the coming year and pledge my full efforts to the best interests of the Association and its members.

Sincerely yours,

Edward H. Welch

BENJAMIN VAN KEEGAN

It was with a great deal of pleasure that I learned of my selection as an officer of the N. S. T. A. for the coming year.

During the past few years we have had very trying times in our industry and your Association has fully cooperated in every way with the Securities and Exchange Commission, National Association of Securities Dealers and the United States Treasury. Each and everyone of you have a part in this war, either by becoming part of the armed forces (as a great number of our membership are already seeing service), or by devoting time and effort in civilian defense work and lending every effort in the sale of war bonds. Under the able leadership of Perry Brown I cannot help but feel a great deal can be accomplished if each and everyone of you will give him your wholehearted support and cooperation for the coming year.

B. Van Keegan

I hereby pledge myself to do all in my power to help my fellow officers in this undertaking.

Cordially yours,

Benjamin Van Keegan

EARL M. SCANLAN

I feel that it is indeed an honor to have been selected Treasurer of the National Security Traders Association. It is my earnest desire to fill the position as well as my predecessors have done.

Earl M. Scanlan

It will be a pleasure to work with our new President, William Perry Brown, and I intend to give my full support to him in his effort to maintain the high ideals for which our organization has always stood.

Sincerely,

Earl M. Scanlan

BERT F. LUDINGTON

There has been a new seriousness about these meetings in Chicago the past two days—an atmosphere we have not seen before. That seriousness comes from an ever-growing realization of the complete disruption of the whole world under the impact of total war. The problems we are encountering in the securities business are infinitesimal by comparison.

Bert F. Ludington

As Secretary of the Association I have the opportunity to see from day to day the inroads made by the Armed Forces and War Industry in our membership. To those who have been called to such service, from those of us who have not yet been so fortunate for one reason or another, I want to say we are doing our best to preserve the concept of the business as you knew it.

The best of luck to all of you.

Sincerely yours,

Bert F. Ludington

JOHN C. HECHT

The problems confronting our Association today are a continuation of what we have had for the past several years, except that we have the full impact of a total war effort.

John C. Hecht

I am hopeful that the incoming administration, of which I am very proud to be a part, will be able to serve the membership as well as the administration of the past year.

Very truly yours,

John C. Hecht

JOSEPH W. SENER

Joseph W. Sener

Eight years ago a small group of enthusiastic men known as "Traders" met in the Palmer House in Chicago, and in that meeting the National Security Traders Association was born. Since that time the Association has grown steadily until at the present time it boasts of a membership of approximately 2,200. Today we are back at the birthplace. The fine representation at these Committee Meetings is indicative of the spirit of our organization. While our membership comes largely through affiliated groups in all sections of the country, it is nevertheless strongly united. Each affiliated group and each individual member contributes to the strength of the National Association and, through this unity, we will go far.

Another year has passed in the history of the National Security Traders Association, and it has indeed been an eventful one. For nearly nine months our country has been at war. The honor roll of the Association, composed of our members who have joined the various branches of the Service, is lengthening every day. Many more are serving their country in various other ways. Consequently, many familiar faces are missing at these meetings. We are fortunate, however, in having such an excellent representation to discuss the problems before us today and these will be met with the same fortitude and spirit which is characteristic of the members of our Association.

It has been an honor and a pleasure to serve the Association during the past year. To the incoming officers, "heartiest congratulations and best wishes!"

Joseph W. Sener

(Continued on page 805)

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ESTABLISHED 1879

National Security Traders Association BOOSTERS

(Continued from page 800)

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CG 214 Randolph 6800
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CG 163 Randolph 6317

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CG 35 Dearborn 0500
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Lieut. Kenneth S. Beall, U. S. N.
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Favorable Outlook Seen For Reorganized Rails

(Continued from first page)

at some of the credit factors, we would have found out that for the ten-year period ending in 1929 Rock Island covered its fixed charges 1½ times and the Norfolk & Western 7 times.

"Likewise in that period, being students of yields, we allowed a bond like Nickel Plate 4½s at 8 to sell at a higher dollar price by $50 or $60 than the Norfolk & Western 4s of 1944, simply because of yield.

"No one that I know of in that period took the fundamental factors into consideration: No. 1—and when I say No. 1, I mean the diduciaries of the largest type as well as of the smallest type, and all of your so-called expert rail houses in Wall Street and in Chicago. But more important, so far as railroad securities are concerned, none of them was able to forecast the effect of competition when they entered the transportation business after the war—the last war. We knew there were trucks on the road; we knew there were barge lines; we knew there were pipelines, and so forth; but no one foresaw the effect of that competation which was absolutely unregulated, until 1931, when the cumulative effect of this unregulated competition started to deterioriate the railroad rates. That is the thing that killed railroad credit. It wasn't so much the lack of business, but it was the complete collapse of the rate structure of the railroads caused by the unregulated competition that forced the railroads to become no longer a good risk, because they could no longer support the capitalization based upon monoply when this competition came in unregulated for the first 15 years and broke the rate structure. They were no longer in a position to cover their fixed charges with sufficient margin to make them good risks.

"As an indication of what happened to the railroad industry, if you compare the years '29 and '30 with the years '36 and '37 and '39 and '40, '36, '37, '39 and '40 are what we might call the normal railroad years in the period of the '30's. And combining 1930 with 1929 gave us somewhat of a normal year average in the '20's. And yet if the rate structure which prevailed in '29 and '30 had continued, despite the loss in business, then there would have been no financial difficulties for the railroads. It was the deterioration in the rate structure because of unregulated competition that caused the compete collapse of railroad credit.

"For example, rather than earning, as they did, in 1936 and '37 and '39 and '40, about $650,000,000, which covers fixed charges about 1¼ times, they would have earned with the old rate structure over a billion or two, and therefore covered the fixed charges almost twice. So the fundamental difficulty of the railroads has been the deterioration of the rate structure caused by unregulated competition.

"Now, we can't necessarily blame the analysts of that period and the banks and the insurance companies, because Congress told us in 1920, in the Transportation Act, that the railroads must have rates which will guarantee them a 5¾% return on their capitalization, a capitalization based upon ICC figures. But, of course, the ICC was just as fast asleep as the experts, because as late as 1933 and 1934 the ICC stated in their annual report, 'It may be true that the passenger busses are getting to the point where we should regulate, but as yet there is no danger to the railroads from the trucking industry.' And yet we know that the deterioration of the rate structure was caused primarily by the trucking industry running absolutely hog-wild so far as rates and regulations were concerned for the period 1922 to 1938, inclusive.

"At any rate, the old capitalizations of the Class 1 railroads in the United States, built upon monopoly, built upon a constant rate structure, were able to support that capitalization. However, 10 or 15 years later, after you had in this country 27,000,000 automobiles, 4,000,000 trucks, 225,000 miles of pipeline, a $1,000,000,000 spent on the Mississippi and Ohio Rivers to create lower rates, whether they used them or not; the very existence of such facilities lowers rates—then in my opinion, in normal times, none of the borderline carriers can support the old capitalization; and, generally speaking, the public has recognized that condition.

"As a result, whereas in the '30's we had a $6,000,000,000 industry on the average, in the '30's we had a $4,000,000,000 industry. And I want to emphasize the fact that that doesn't mean that they lost $2,000,000,000 worth of business. That is caused primarily by the deterioration, the lowering of the rate structure by about 35% over that period. In other words, last year they did the same business in terms of miles that they did in 1929, and yet they did a $1,000,000,000 less business. So the fact that they became a $4,000,000,000 industry rather than a $6,000,000,000 industry doesn't mean that they lost $2,000,000,000 worth of business. The business to some extent was about the same; it was the rate structure that caused it.

"But in any event, the railroads built up fixed charges of about a half-billion dollars, and with lease lines thrown in, it was close to $600,000,000. They could cover those fixed charges about twice with a $6,000,000,000 gross, but with a $4,000,000,000 gross they could not cover them. Perhaps the average is about once. Then, of course, when you have years like '32 and '38, they went down to where they covered the fixed charges on the average of only about 51/100's.

"In analyzing railroads, however, don't overlook the fact that, while they became a poor financial risk as a result of this competition, nevertheless, by comparison, even in the worst year of the depression, they were a good business risk. In other words, if they had no debt, they would compete with most of your firms listed in Dun and Bradstreet. If you look over that thing to find out why people go broke, you will find that 90% of them go broke because they can't make their operating expenses. Now in no year have the railroads been in that position. So the problem is: If they are still good business risks, how can you once more make them good financial risks?

"We have in this country about 137 Class 1 railroads. A Class 1 railroad is a railroad which does a $1,000,000 worth of business a year. Now, obviously, we are not interested in a great many of those. Twenty railroads in the United States do 85% of all the business. The Pennsylvania Railroad alone does 14% of all the business; New York Central does 7%; Southern Pacific does 6%. So in analyzing the railroad problem, to boil it down so you can look at it and analyze it in trying to develop an answer to my original question, I eliminated all of these Class 1 railroads under $10,000,000 gross business. Because in the first place, well-reasoned executives and fiduciaries won't buy that type of security anyhow, so they shouldn't have that problem in their portfolio. Likewise, except locally, there is no reason why individuals should do that either. If you do that, you eliminate about 45 of those Class 1 railroads. So who cares? We are not interested in that problem; we wouldn't buy those securities even if they were good. So in breaking down this pile of 137 railroads, I eliminate those 30 or 40 or 45 railroads under $10,000,000 gross business a year.

"Next, in trying to boil this problem down so you can see it clearly, I eliminated the industrially-owned carriers, such as the Bessemer and Lake Erie, the Duluth, Missabe and Iron Range, the Chicago & Illinois Midland, and about five others. Why? Because they are not part of the railroad problem, because their credit is the credit of their parent—the Steel company or the Commonwealth Edison Company rather than the credit of the railroad.

"I likewise eliminated the Canadian subsidiaries, because that is not our problem; it is a problem tied up with Canada and sterling and various other things.

"And the last group I eliminated in order to boil this down so you could see it clearly was the Pocahontas carriers—the Norfolk & Western, the Virginian, and the Chesapeake & Ohio. Why? They are our only successful railroads in the United States—the only ones. They are the only railroads in the United States whose bonds, lease-secured, sell on a money basis. For their prosperity—their fundamental prosperity—is based upon the poverty of the other roads. You have had five increases in bituminous rates in the last 15 years. Those Pocahontas carriers didn't need it, but they had to give it to the other railroads because they needed it. And, of course, they picked on bituminous coal because you don't ship it by truck. Therefore, the Pocahontas carriers are prosperous today because of the fundamental poverty of the other railroads.

"If you make those eliminations, you end up with about 70 Class 1 railroads, of which 35 are in bankruptcy or have been reorganized. First, let's look at the other 35, the 35 which are still solvent. Only one in that class has high-grade credit, and that is the Union Pacific. The Union Pacific has high-grade credit because it is primarily an oil company rather than a railroad. On the basis of its railroad operations last year, its credit would be about the same as the Southern Railroad, only not as good. Therefore, there was an excuse for that one. Outside of that, among these 35 railroads, there are none with high-grade credit.

"You certainly can't call the next group, which I call the 'bank quality' group, because their securities are still bank rated by the various services—and they are Atchinson, Pennsylvania, Great Northern and L & N, just to use a few examples. If you look at the junior price or rather at the price of the junior securities, you will find that they are selling at a discount of 10 to 20 points from par; and certainly in this money market you can't call Pennsylvania a high-grade credit when you can buy the 4½% bonds at 88. Credit is judged by where your junior bond sells in proportion to your money market—not where your highest security bond is selling in proportion to the money market.

"Well, what is our first problem, then? What to do with the securities of Pennsylvania, Great Northern, L & N, and Atchison? If you study the market record of those roads, you will find that the securities fluctuated up and down at least three times in the last ten years by anywhere from 30 to 60 points. Pennsylvania debentures, which now sell at 88, were selling at 48 in 1938; at 23 in 1933; they subsequently sold at par; now they are selling around 88. Great Northern bonds have fluctuated similarly; so have those of L & N; and so have those of Atchison—Atchison perhaps to a lesser extent, but on the junior bonds to almost as great an extent.

"Without combining this problem, as I will later with the problem of the borderlines, if you have no problem and yet you have these securities, my suggestion is: that if you can call your loan to the Pennsylvania at close to par during this period, or the Great Northern, whose bonds are selling

(Continued on page 805)

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Favorable Outlook Seen For Reorganized Rails

(Continued from page 804)

close to par, then that is the time to close out your loan to those companies. Because if history means anything, you will be able to reloan that money at a discount of 30, 40, 50, or 60 points. I think that a better solution, however, is one that I shall mention a little bit later.

"The big problem in this country is not the ones we have just mentioned. It is the 25 borderline railroads whose securities at par value, exceed $5,000,000,000 in bonds alone, to say nothing of the stocks. New York Central, Illinois Central, Southern Pacific, Southern Railway, Northern Pacific, to mention only a few—they are the problems. If you have an Illinois Central debenture selling at 44, or a Southern Pacific debenture selling at 52, or N. Y. Central debenture selling at 55, you want to know what to do with it. You are not interested, as I said a while ago, in listening to a long harangue about the railroad problem; what you want is an answer to your question.

"Now, we think we have an answer to that problem. We think if you have those securities, that the new securities created by the reorganization of the 35 railroads are an excellent substitution for any of the borderline bonds or stocks. In other words, the first mortgage bonds of the reorganized railroads such as Erie and Wabash, to use those two as illustrations, are better bonds than the first mortgage bonds of the Northern Pacific, the Illinois Central, the Southern Pacific, and so forth, for the very obvious reason that the reorganized companies have been reorganized; their fixed charges have been reduced to meet the conditions as they exist; and the others have yet to shave their capitalization down to meet the conditions as they exist.

"Likewise, the new income bonds of the reorganized companies are better investments than any of the junior bonds of the borderline companies. In other words, the income bonds of the Erie selling at 50 are far better to hold than the Southern Pacific debentures selling at 52, or the Illinois Central debentures and junior bonds selling at about the same price. I shall give you the reasons why subsequently.

"Going now to the 35 railroads that have been reorganized or are being reorganized, we first had to study the law to find out what it was all about. Prior to this depression all railroad reorganizations were carried out through equity proceedings; equity proceedings of what we call nonstatutory law. There is nothing to tell you exactly what to do. You sort of follow the footsteps of what they did 100 years ago. As a result, there were various abuses, and so forth, and 90% of the capitalizations were not much better after they reorganized than they were before.

"But with the depression a new law was introduced called Section 77. It was introduced in 1933 and was passed in 1933, for the reorganization of the railroads; and for the first time in the history of railroads in this country—for the first time since the ICC was organized 59 years ago—the ICC now has complete charge of railroad reorganizations. They write the final plan and nobody can change it. The courts can disapprove it, but no court can change it. They can disapprove it and send it back with suggestions, but the ICC in the last analysis writes the plan. That, of course, is a big change. In the olden days the bankers reorganized the company. If we use the St. Paul, for example, it came out of bankruptcy in 1928, and I believe everybody will admit that it was worse off when it came out than it was when it went in. The ICC now has charge of all competitions. They regulate rates for trucks, barge lines, pipelines, and so forth. They know the existing conditions and they are dressing up these new capitalizations to meet those conditions, and they have complete charge of the reorganization. Therefore, you are protected, because a judicial, neutral body, the district court, and an administrative neutral body, have charge of the plans. Of course, they listen to suggestions from various parties, but they in the end write the plan.

"In the olden days, when we had equity reorganizations, let's say that you had a lot of underlying bonds. Take the Wabash reorganization in 1918. They said, 'This thing has got to be reorganized.' So they assumed all the underlying bonds without any question, foreclosed the junior mortgage, and came out just as badly as they were before. But not so this time with the ICC in control. To use that same example: not a single bond on the Wabash came out undisturbed, and they have to prove exactly what they get. They did that in each case by introducing what they call a formula for determining just how good each mortgage division is. In other words, they analyzed the particular mortgage district to prove that it has the earnings—the amount of earnings to justify getting what they get in new securities. They have a severance formula to show how valuable the line is. If it were no longer part of the system, they have a contributive study to show that it contributes in the way of originations or terminations to the system as a whole.

"I will give you one example because it is a little bid dry, this formula stuff. Out here in the North Western reorganization you have a line from Chicago to Milwaukee called the Milwaukee State Line — a divisional bond, double track, main line from Chicago to Milwaukee. Under a straight traffic density study in the old days, that was the best bond in the North Western system, and there are about 16 bonds in the North Western system. And yet, when they got through analyzing the traffic that goes over it—they don't originate any; they don't terminate any — under a separate study they could use the old main line of the North Western or they could get trackage rights over the St. Paul. So that instead of being the best bond in the system, it was just another bond. And instead of getting, as they ought to get if reorganization ever comes, 100% in first mortgage bonds, they get something like 25%.

"Without going any further into that—and I could give you numerous illustrations—the thing to remember is this: You don't know what you have got in a railroad underlying bond until you have gone into bankruptcy. There have been numerous cases time and time again. Take the Lackawanna, for instance. They tell me that Morris & Essex will come through anything. How do you know? By the time you get through the Morris & Essex and get it on its own feet, you may have an old colony on your hands, and you may have a bond that under the operation of trustee after trustee might become absolutely worthless, to say nothing of the stock.

"So there are exceptions to everything. But, generally speaking, Section 77 has taught us that you don't know what you have got in reorganization in an underlying bond until you have gone through this formula; and there is no way of doing it in advance. And the corollary to that is that railroad bonds sell on earnings, and should sell on earnings like other things do. Take your industrial debentures. You never look up the lien, because there is no lien; you buy them because of their earnings. And that is the way railroad bonds have got to sell. The mortgage may mean something, but the earnings must mean everything. Because in reorganization, the mortgage position may mean something or it may mean absolutely nothing.

"Another point in that connection is that you can learn from the application of this formula. If you don't like the **worst** bond on the Pennsylvania, don't buy the **best** one, because you are only fooling yourself. Likewise on the Southern Pacific or the New York Central. For we have learned that overall earnings are everything. While in reorganization you may get a little bit better treatment because of your mortgage position, it is not reflected ordinarily in the price of bonds. In other words, if I believe in the Pennsylvania, I will buy the highest yielding bond I can buy; if I don't believe in the Pennsylvania, I don't want the 4s of '48 which are selling on a 280 basis.

"The ICC introduced in every reorganization income bonds. We have had income bonds now on some railroads for a long time. We have had Atchison income bonds since 1895. Some people make me laugh when they tell me that Erie income bonds can never sell higher than 52, when I see the Atchison income bonds constantly selling at 85 or 90 every year, as they have been doing for the last 20 years; and if Atchison earned the interest on income bonds, so did Erie. And yet you can walk into some banks and they will tell you that they can't buy any Erie bonds, although they have a bagful on hand of Atchison income bonds.

"The interest on income bonds is payable, if earned, to the nearest ¼ of 1%. If they earned 4½, they get 4½, if they earn 3, they get 3; and if they earn ¼ of 1%, they get ¼ of 1%.

"The third and next big element of change that the ICC has made is that they have reduced the fixed charges of 20 of these 35 reorganizations, because 20 is all they have passed upon; they reduced the fixed charges 72%. They have also eliminated about

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Greetings From NSTA Officials

(Continued from page 801)

HAROLD B. SMITH

For the past few years, we have had our national and local treasuries improved by the assistance and sincere cooperation of Mr. Herbert D. Seibert, publisher of "The Commercial and Financial Chronicle." (Mr. Seibert is an honorary member of the Security Traders Association of New York.)

Harold B. Smith

In lieu of the Convention of 1942, the National Security Traders Association held meetings in Chicago August 28th and 29th and your national officers requested me to proceed with the "Chronicle" to solicit from our members advertising to appear in this "News Issue" of September 3rd, 1942. With limited time, our industry having gone through perhaps, the most depressed condition of business any of us have ever experienced, both Mr. Seibert and myself have endeavored to uphold the continuity of the N. S. T. A. Yearbook.

May I thank most graciously all the committees and members of the "Chronicle" staff who have made this "News Issue" possible and profitable to our organization.

I am confident in years to come that this venture will prove to be an outstanding part of the N. S. T. A.

Sincerely yours,
Harold B. Smith,
Chairman 1942 Yearbook Committee.

OLIVER GOSHIA

I wish to thank all of you for having given me the honor and the privilege of serving as a member of your Executive Council for the past year.

Oliver Goshia

This has been a troubled year for our Association, and the members of the Council have endeavored to take those actions which would best serve to further the interests of the Association and which would benefit the majority of the members.

It is my firm belief that our Association has a definite place in the securities business and that the new officers which are being chosen at this National Committee Meeting have the vigor and the vision to carry on through these times and into the brighter future which lies ahead.

Oliver Goshia

EDWARD D. JONES

Conditions in the Middle West, agriculturally speaking, were never better. Banks, insurance companies and individuals' accounts are full of money. They are only waiting for assurance from the U. S. Treasury, i.e., taxes, for the go sign. We look for a good security business for investment and speculation this Fall.

Edward D. Jones

With kind regards, I am,
Yours very truly,
Edward D. Jones

Frank C. Masterson
Benjamin H. Van Keegan
Joseph C. Eagan

BROKERS AND DEALERS IN BONDS AND STOCKS

Frank C. Masterson & Co.
Members New York Curb Exchange
64 WALL ST. NEW YORK

SCHERCK, RICHTER COMPANY
St. Louis, Mo.

Favorable Outlook Seen For Reorganized Rails

(Continued from page 805)

$4,000,000,000 worth of stocks as having no value under existing conditions. Of course, when I say 'existing conditions,' I don't mean the war earnings which are prevalent at this time; I mean the existing conditions that we can expect in the postwar era as we had in the prewar era.

"Another thing they have definitely established, which emphasizes perhaps the importance of buying security bonds, if you have to buy into a borderline system, is that the lien of the interest is the same as the lien of the principal. Take the Monon that runs into this city—they have no plan of reorganization as yet; that is, the ICC has not approved one. So that the interest will have accumulated for about 10 years on the first mortgage bonds before reorganization. Now what does that mean? It means that they couldn't support the old debt and yet, so far as the junior bondholders are concerned, the senior debt has increased 50% before the junior bonds can get anything. Junior bonds of the borderline systems, particularly if the reorganization drags out for any length of time, suffer drastically because of this capitalization of interest. Of course, the effect on the stock of the borderline companies would be the same, only more so.

"As for Section 77 itself, how does it work? I will go over it as briefly as I can. Several interested parties prepare plans and present them to the ICC. If a formula is necessary, a formula is prepared. Then you have hearings. Now this thing which I have briefly mentioned may take anywhere from 18 months to 7 years. Along the line eventually, however, one of the examiners for the ICC presents a proposed report, following which the ICC itself hands down a plan of reorganization. This may be *modified or amended, and eventually they hand down a final plan* of reorganization. This plan is certified to the courts; and at that particular moment it is time to become interested in the securities of that reorganized carrier, for this reason: because no one can change that plan. And if litigation does not upset the plan, that plan is going through. Therefore, as soon as the ICC plan is certified to the courts, you know what you are going to get, if the plan goes through.

"About two years, when Erie generals were selling, for example, at 20, the ICC plan was certified to the district court in Cleveland. You knew that if that plan went through, you were going to get $50's worth of first mortgage bonds, $500's worth of income bonds, and 3½ shares of preferred. Therefore, that was the time to buy the older Erie securities, because obviously, without doing it on the blackboard, those new securities are going to add up to a lot more than $200. As a matter of fact, that bond is today selling at the equivalent of 80. Why? Because the new securities do not sell for the equivalent of $200; they sell much higher.

"Eight of the 20 plans of reorganization of the ICC have gone through and have been approved. The ICC has been upheld in every case in the lower courts, with the exception of the St. Louis-San Francisco where, because the RFC got preferential treatment and under the law, as distinct from the facts, the judge could not approve it, he sent it back. It is true that in the New Haven case it went back, but it went back for a different reason, as I shall explain later.

"In my opinion, these circuit court decisions out here upsetting the St. Paul plan, will be completely reversed by the Supreme Court in the St. Paul case. I am 100% convinced that every plan of reorganization—the St. Paul, the North Western, and so forth—is going through as is; because I can't conceive of the Supreme Court overruling an administrative body on some technical point of findings which it is impossible to make. And I believe that the circuit courts, if they had the experience of the ICC and of the district courts, would agree that those findings could never be made.

"Now once a case goes to the district court, hearings are held. If they approve the plan, at that time trading with those securities starts. In other words, a market is made for the new first mortgage bonds and the new income bonds and the preferred and the common. And, of course, the final part of Section 77 is when all the appeals are over and have been decided and the case is consummated.

"Between those three steps, when the ICC plan is certified to the court, and the court approves it, and it is then consummated, in every case of the nine plans that have gone through there has been at least 100% depreciation in principal; in several cases as much as 200, 300, or 400%. And in my opinion, the same thing will be true in the other 12, including the St. Paul, North Western, Missouri-Pacific, New Haven, Rock Island, Frisco, Cotton Belt, and so forth, because there is that mathematical mechanical profit which you cannot escape. Because you create these new securities virtually for nothing by buying the old securities at the price you can now buy them for. They are not going to sell for nothing. They are going to sell for value. The average price of income bonds today is about 35. The average price of new first mortgage bonds is around 77.

"Therefore, the old securities, as these steps are accomplished, must go up, regardless of invasions of Low Countries or Pearl Harbors or what have you, which affect them temporarily but they come right back to follow that course through. You can chart every single one of them, from the original time that the plan has been certified—the Erie, the Wabash, the Great Western, the Gulf, Mobile and Ohio, the Boston & Maine, and so forth. So you see, as each of those steps are accomplished, regardless of the stock market, regardless of extraneous wars, and so forth, there has been a mathematical mechanical depreciation of the securities because of the possibility of new markets being created; then the actual new markets in which the securities are issued; and finally, with the appeals out of the way, the actual delivery of the new securities. If I had time, I would trace for you the steps and dates in Erie as this thing happened. It wasn't the new earnings, and so on. I will explain that in a minute—the fact that these new earnings put these securities up. They added to their value but they didn't put them up.

"What kind of securities are they? How good are they? So far, as I have stated, they have approved 20 plans of reorganization. They have reduced the debt 72%—from about $3,000,400,000 to about $1,000,100,000. Those are not the little railroads. They include the St. Paul, the Erie, the North Western, the Rock Island, the 'Frisco, and some of our larger railroads. They have cut the debt about the same percentage—about 76%.

"As a model of the new capitalization, generally speaking, they cut the capitalization about 30%. Then they say, 'Here is your new capitalization. 50% must be in stocks, a combination of preferred and common; 25% at least must be in income bonds. Of the balance, 12½% must be reserved for your equipment and for your rent on leased roads, and the remainder can be put in new first mortgage bonds.' That is, generally speaking, the model.

"The easiest way, I think, of comparing the new capitalizations with the old is to give you this illustration. In the last ten years, from '30 to '40, the Class 1 railroads on the average needed about 17 cents out of each dollar to pay the fixed charges. In those days an operating ratio of 75%—that is, the ratio of operating expenses to operating revenues, was a pretty good ratio. Now you put 10 cents' worth of taxes on top of that and you are up to 85%. Your joint facilities—that is, the right to use other people's tracks—amounts to another 3 cents and you are up to 88 cents. As a result, Class 1 railroads as a whole did not earn that 17 cents.

"While it is true that in '41 and '42 the whole complexion of that thing will change, we don't know how long '41 and '42 are going to last. We can't go out and argue that the railroad business after the war is going to be sufficient to carry these old monopoly capitalizations. But I do think we can go out and argue that they will carry these new capitalizations, because they are built upon the pre-war conditions of unregulated rates, whereas now we have regulated rates—and, of course, we anticipate having them after the war.

"On the basis of the reorganizations, those 20 roads would only have to save 4 cents out of each dollar to pay their fixed charges as against 17 cents for the Class 1 railroads as a whole. So in my opinion, they are no different than 70 hotels or 70 drug stores: the amount of rent you pay out of each dollar is important. And I think it convinces me—and I have also convinced a lot of people—that no matter what happens, you are better off in the new first mortgage bonds of reorganized companies than you are in the borderline first mortgage underlying bonds or even the bank quality bonds of a junior grade, such as Pennsylvania and Great Northern. Likewise, you are better off in the income bonds of the reorganized carriers than you are in the junior bonds of the borderline carriers. And, of course, if we believe that for bonds, we believe it for stocks.

'Without going into too much detail, that briefly is our answer to what to do with these railroad securities. Now you can prove to me that the Southern Pacific are making more money than they have ever made in their entire history; and the chances are that the Illinois Central will also do the same thing. The same is true of the St. Paul,, the North Western, and so forth. They show me where the Southern Pacific will cover their fixed charges three times this year. Admittedly, but the St. Paul will cover their new fixed charges almost 10 times this year.

"Let us assume that the war does last two or three more years and we have a two-year period of filling in the void of heavy industries, and this thing lasts for five years, nevertheless the leverage is in the new securities of Erie, Wabash, and the rest of them. Now what will happen? If you do get that turned down that so many people thing you are going to get, you will still be better protected by almost a ratio of three-to-one than you will be with the borderline securities.

"To get down now to what to do about some of these things, I shall try to illustrate, if I can. For there is one thing that I hate to do, and that is, to talk to anybody and then have them go away and say, 'Well, so what?' I realize that my audience today is composed primarily, as far as the Association is concerned, of men interested in unlisted securities. I know that we have some municipal men here. And I know it is easy enough to say, 'Well, all the railroads that he is talking about are listed. How am I going to make a dime out of it?' Frankly, I have no answer to it. I wish I did have. It is my great regret that the three or four thousand dealers in corporate securities—that the Stock Exchange, of which we are members, can't find some way of getting those three or four thousand dealers to distribute railroad securities, once they are convinced that they should be distributed to their customers, and a method is not found whereby they could receive a return in order to employ salesmen and support their overhead, etc. Goodness knows I've got enough to do to talk about rails without solving that problem. Although frankly, when I think of these securities, most of which sell anywhere from 15 to 35 and 40, there are tremendous possibilities, as I believe, in them. (1) They should interest you as individuals. Therefore, I hope you get something out of it from that angle. (2) They should influence you on behalf of those individuals for whom you do a good business and for whom you can afford to do some business at a smaller profit. And then, too, I think—and I have found this to be true with a great many unlisted dealers—that if you go out and convince them of some of these railroad situations and if the last sale on the board is 17, you can charge them 18 without too much trouble, or at least 17½. I am not trying to answer this problem, but I am simply trying to anticipate a question that I might get later, 'So what? How am I going to make any money out of it?'

"Let me illustrate now with one bond, the New York, New Haven and Hartford at 4½—refunding 4½ at 67—one bond of about 10 of the same mortgage—a blanket mortgage on the New Haven. Now two or three years ago, when we were recommending this type of security, all we could tell you was that in reorganization you get so many first mortgage bonds; so many income bonds; so many shares of preferred; and, using low prices, those new securities would be worth thus and so. It is true that since that time these old securities have advanced in price. Why? Not particularly because of reorganization progress but because the earnings of 1940 and 1941, and, of course, '42 and assuming '43, have increased the cash position of every one of these reorganized companies so that most of them have paid out large sums in interest; and we assume, of course, that they will continue to do so. In the case of the New Haven road, they have now paid up all the underlying bond interests. As a result, if the New Haven pays out in cash only what they have been paying out every six months, then over the next 18 months they should pay back 6% interest on these 4½% bonds.

"Now what assumptions am I making? I am only making one assumption: that the war or conditions as they now are continue for 18 months. Because the judge has set the precedent in this case and in a good many others that if he earns the interest, he will pay it; and the reason which forces him to do this is that, being in somewhat of a fiduciary capacity himself, the Treasury Department has ruled (and the case has gone to the circuit court on appeal) that if any corporation, railroad, or otherwise in bankruptcy earns its interest and does not pay it, then the amount they earn is taxable, both from normal and otherwise. So it is academic, in a way. If he doesn't pay it to the bondholders, he will have to pay it to the government—only more so.

"Anyhow, in my opinion, in the next 18 months these 4½% bonds—I am only basing it on one assumption, because I am simply saying that if he pays out as much as he has been paying out every six months, they will get back 6% interest. Those bonds are selling today around 40. Six per cent interest would be about $270. Now what features does that $270 have? The Treasury Department has ruled that that payment of interest is in return of capital. Therefore, it is exempt from the normal tax. Of course, eventually it will be subject to your capital gains tax, and so forth. But there are darn few things that you can think of over the next 18 months in situations like this that are completely exempt from your normal tax. It is the return of capital.

"Therefore, although I do not raise the value of that $270, it is more than $270. That reduces your cost down to $130. And for the $130 you own a $1,000 bond in New York, New Haven and Hartford at 4½. What do you get for that reorganization? The New Haven plan has been approved by the Commission, and with the exemption. It has been rejected by the judge because of a political situation in Boston which has to be compromised and settled. But the structure and general premise and theory of the New Haven plan have been well settled and agreed to by everyone.

"In the first place, all the underlying bonds are virtually undisturbed, except the New England railroads, who will get 100% first. So this treatment of approximately $250 in new first mortgage bonds, and $550 in income bonds, and the balance in preferred (two shares of preferred), has been established.

"As I said, the average price of the new first mortgage bonds is 75. They range — the lowest price bond is the Chicago & Great Western—the new first 4's, which sell around 67. The highest price new first mortgage bond on a one issue basis are the new bonds of the St. Paul, which are trading when issued around 95. The next best is the Erie, judged by price, which is selling around 92. Then the Wabash, which is around 81, and so forth. In my opinion, the New Haven first mortgage bonds would sell above those of Wabash and a little bit below those of Erie.

"But assuming a price of only $170 on these and assuming the average price of your income bonds is 35, and they range from a price of 53 or 54 from the Gulf incomes, 51 on the Erie incomes, down to 28½ on the East Illinois incomes, in my opinion these New Haven bonds will sell at 40. But assuming a price of 30—that is $165—and cutting this down to $10 a share or $20 —$355 for the value of the new securities is to be received.

"Now, if you raise this up from 70 to 90 and this from 30 to 50, where some people claim the New Haven securities would sell, and this from $10 a share up to $35 a share, this price comes up to close to $55, for which you are paying $130. These, I claim, are postwar prices. This is the price it would be as designated here, let us say, if it were consummated during this particular period. I don't know of any other securities that have those advantages. I could illustrate that for the Missouri Pacific, St. Louis-San Francisco, Cotton Belt, St. Paul, North Western, and so forth, but I think that that example suffices.

"You might say in the case of North Western and St. Paul, 'Well, you may be right on your assumption that the Supreme Court will uphold the ICC plan, but supposing you are wrong?' All right, supposing I am wrong and the Supreme Court decides that the rules of this game are all wrong; that it has to be done all over again. That is virtually what the circuit court said. It is my opinion—a 1,000-to-1 chance—that the Supreme Court will uphold the ICC ruling in the St. Paul case, the North Western case, and all other cases. But let us assume

(Continued on page 807)

Calendar of New Security Flotations

OFFERINGS

POTOMAC ELECTRIC POWER CO.

Potomac Electric Power Co. filed a registration statement with SEC for $5,000,000 first mortgage bonds, 3¼% series, due Aug. 1, 1977

Address—Potomac Electric Power Company Building, 929 E Street, N.W., Washington, D. C.

Business—The company is part of the North American Co. holding company system. The company is, and intends to continue to be, principally engaged in the generation, transmission, distribution, and sale of electric energy in the District of Columbia and in a limited contiguous territory, largely suburban and rural, in Maryland, and interchanges electric energy with a neighboring utility system

Underwriting—No firm commitment to purchase the $5,000,000 face amount of these bonds has been made. As soon as practicable after the registration statement has become effective, the company, pursuant to Rule U-50 of the SEC proposes publicly to invite sealed written proposals for the purchase of such securities

Offering—The names of the underwriters and the offering price to the public will be supplied by post-effective amendment.

Proceeds—Net proceeds will become part of the company's general funds and will be used to increase company's generating capacity and other fixed capital expenditures. In June 1942 company received $3,000,000 toward such purposes from the sale of 30,000 shares of its common stock. The company's fixed capital expenditures for 1942 are estimated at $8,691,000. Substantial further expenditures for such purposes will be incurred in 1943. The more important include installation of turbogenerator units and related equipment

Registration Statement No. 2-5032. Form A-2. (8-5-42)

Awarded—Bonds awarded Aug. 31, 1942, to Kuhn, Loeb & Co. and associates on bid of 112.2679, equivalent to an int. cost to company of 2.705%

Registration—Effective 5:30 p.m. EWT on Aug. 26, 1942

Offered—Sept. 2, 1942 by Kuhn, Loeb & Co., Smith Barney & Co. and Blyth & Co., Inc. at 113 to yield about 2.67% if held to maturity

RHEEM MANUFACTURING CO.

Rheem Manufacturing Co. has filed a registration statement with the SEC for 85,326 shares of common stock, par value $1 per share. Statement notes that the 85,326 shares is plus such additional shares, not heretofore registered as the company may be required at any time to issue by virtue of the anti-dilution provisions of its articles of incorporation upon the conversion of shares of its cumulative preferred stock, 5% series. In addition to the 130,000 shares of common stock, par value $1 per share, heretofore registered for this purpose, the company estimates that—shares of such stock will be required to be reserved for this purpose by reason of the issuance of up to 40,000 shares of its cumulative preferred stock, 6% series, and the issuance and sale of the 85,326 shares of common stock, par value $1 per share, registered hereunder. This statement is to be completed by amendment

Address—Normandy Building, Washington, D. C.

Business—Company is normally engaged principally in the manufacture and sale of various metal products made from sheet steel. It presently is engaged to a large extent in the manufacture and sale of certain military products made from sheet steel and in the rough and finish machining of certain other metal products for military use

Underwriting—Blyth & Co., Inc., New York, is named as sole underwriter

Offering—Public offering price will be supplied by amendment

Proceeds—To be used to discharge notes payable to Tennessee Coal, Iron & Railroad Co. in amount of $126,096; to discharge deferred indebtedness of $100,000; and the balance to reduce short-term bank loans. Short-term bank loans now outstanding, with other funds of the company, were used to increase inventories by approximately $2,700,000, and for capital expenditures totaling $1,400,000

Registration Statement No. 2-5039. Form A-2. (8-24-42)

Registration—Effective 5 p.m., EWT on Aug. 31, 1942

Offered—Sept. 1, 1942 at $11 per share by Blyth & Co., Inc.

SCUDDER, STEVENS & CLARK FUND INC.

Scudder, Stevens & Clark Fund Inc., filed a registration statement with the SEC for 40,000 shares of capital stock of a proposed maximum aggregate offering price of $2,999,200

Address—10 Post Office Square, Boston, Mass.

Business—Investment trust

Underwriting—No firm commitment to take the issue has been made

Proceeds—For investment

Registration Statement No. 2-5027. Form A-2. (7-21-42)

Registration effective 5:30 p.m. EWT on Aug. 19, 1942

Offering—Shares are issued at the then net asset value, plus 1%. The quoted price as at July 10, 1942, as calculated in the price make-up sheet was $74.98 per share which price was used in estimating the proposed maximum aggregate offering price

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern Standard Time as per rule 930(b).

Offerings will rarely be made before the day following.

TUESDAY, SEPT. 1

THE TRION COMPANY

The Trion Company has filed a registration statement with the SEC for 6,000 shares of 7% cumulative preferred stock, par value $100 per share.

Address—Trion, Georgia.

Business—Company manufactures, finishes and fabricates cotton goods in its plant at Trion, Ga.

Underwriting—Courts & Co., Atlanta, Ga., is named principal underwriter. Other underwriters will be named by amendment.

Offering—The 6,000 shares registered are issued and outstanding and are being offered for the account of a corporation and individual stockholders. The price to be paid for the stock by the underwriters and the offering price to the public will be supplied by amendment.

Proceeds—The registrant is not to receive any of the net proceeds which will go to the selling stockholder.

Registration Statement No. 2-5035. Form S-2. (8-13-42)

Amendment filed Aug. 31, 1942, to defer effective date

TUESDAY, SEPT. 8

WASHINGTON NATIONAL INSURANCE CO.

Washington National Insurance Co. has filed a registration statement with the SEC covering $1,000,000 being estimated amount of employee contributions during first ten years of employee's retirement plan

Address—610 Church Street, Evanston, Ill.

Business—Employees retirement plan

Offering—The savings and profit sharing pension fund of the Washington National Insurance Co. employees, is a trust, and is referred to as the plan of the fund. The plan is a voluntary contributory employees retirement plan under which, after it becomes effective, those eligible employees, who elect to become participants and depositors under the plan, will deposit in the fund 5% of their compensation, but, in no case, more than 5% or more than $250 a year

Registration Statement No. 2-5036. Form C-1. (8-20-42)

WEDNESDAY, SEPT. 9

BOND INVESTMENT TRUST OF AMERICA

Bond Investment Trust of America has filed a registration statement with the SEC for 41,544 units of beneficial interest. Total includes 1,544 units of beneficial interest now issued and outstanding to the extent that the same may be repurchased and thereafter reoffered, together with 40,000 units authorized but not heretofore issued

Address—49 Federal Street, Boston, Mass.

Business—Investment trust

Underwriting—Whiting, Weeks & Stubbs, Inc., Boston, principal underwriter

Offering — At market with aggregate amount of proposed cash offering totaling $4,097,900, with certain discounts allowed on large single transactions

Proceeds—For investment.

Registration Statement No. 2-5037. Form A-1. (8-21-42)

THURSDAY, SEPT. 10

PARK AVENUE & 91ST STREET, INC.

Park Avenue & 91st Street, Inc., through trustees has filed a registration statement with the SEC for voting trust certificates for 5,475 shares of capital stock, $1 par value

Address—Address of trustees 18 East 48th Street, New York City

Business—Apartment building

Offering—Registration is in connection with the extension of a voting trust agreement from Sept. 30, 1942, to Sept. 30, 1947. The voting trustees have consented to act under the voting trust agreement, as amended, after Sept. 30, 1942, the present termination date

Registration Statement No. 2-5038. Form F-1. (8-22-42)

MONDAY, SEPT. 14

MASSACHUSETTS INVESTORS TRUST

Massachusetts Investors Trust has filed a registration statement with the SEC for 1,160,706 shares of beneficial interest with aggregate amount of proposed cash offering of $18,896,294

Address—19 Congress Street, Boston, Mass.

Business—Investment trust

Underwriting—Massachusetts Distributors, Inc., is named principal underwriter

Offering—Shares offered to the general public under this registration statement will be offered at net asset value plus 7% of the offering price. In a transaction involving $100,000 or more, the offering price will be net asset value plus 4% of such offering price

Proceeds—For investment

Registration Statement No. 2-5040. Form A-1. (8-26-42)

WEDNESDAY, SEPT. 16

STILLWELL WORSTED MILLS, INC.

Stillwell Worsted Mills, Inc., a newly organized company, has filed a registration statement with the SEC covering 30,000 shares of preferred stock, $10 par value; 30,000 shares producers common stock, $10 par value and 60,000 shares of common stock, $10 par value

Address—East Avenue, Harrisville, Rhode Island

Business—Plans to engage in business of worsted yarn and cloth manufacture, including dyeing and finishing

Offering—The 30,000 shares of producers common and the 60,000 shares of common stock are to be offered for sale at $10 a share. The 60,000 shares of common will be offered to a group of approximately 30 executives and key employees of the old Stillwell Worsted Mills and the 30,000 shares of producers common stock to other persons than above now employed by Stillwell Worsted Mills and its subsidiaries. Stillwell Worsted Mills, Inc., the new company will acquire properties of Stillwell Worsted Mills, the old company, located in Rhode Island, Virginia and Connecticut and certain stocks of finished cloth located in New York and Illinois. The statement says the new company does not intend to engage in the business of top manufacture in which the old company has engaged and intends to continue to engage.

The new company also plans to issue and have outstanding $2,910,000 of first mortgage serial bonds, maturing from 1944 to 1967, which will carry an interest rate varying from 2 to 5%

The statement says that the new company has no present intention of issuing the preferred shares, planning to hold them for ultimate conversion of the producers common shares.

Registration Statement No. 2-5041. Form A-1 (8-28-42)

(This list is incomplete this week)

Favorable Outlook Seen For Reorganized Rails

(Continued from page 806)

that they do not. That automatically opens the door for tremendous interest payments.

"Here is the St. Paul at the end of this year with $45,000,000 cash. They don't need over $20,000,000 certainly to run that railroad, so that they will have some free cash to the extent of about $25,000,000. Instead of paying at the rate under the plan, the plan having been upset, they will be free to pay in coupons as the New Haven is paying, and they might pay three or four or five years' interest on those St. Paul, Missouri Pacific and North Western bonds if the plan were upset.

"Why do these securities after they are issued sell at such low prices if they are so good? You ask me that question. For various reasons, and the most important reason is the system thrown upon the fiduciaries by the administrative bodies in Washington as to what they can invest in and what they can't invest in. The rating agencies do not rate these bonds bank quality, with the exception of Erie. Why? Because ratings follow prices. To my mind, ratings are absolutely of no value, because the premium on an investment service is forecasting. And if anything has been 100% wrong in forecasting, it has been the rating on bonds—not only on railroad bonds but on municipals, revenue bonds, utilities, and everything else. Because the whole system is based upon the idea of where does the bond sell. If a bond sells at par, it has to be rated B-1 plus or better; otherwise the rating system doesn't work. If a bond sells at 70, it has to be rated B; otherwise the rating system doesn't work. And if it sells at 80, it has to be B-1.

"I spoke to a fellow a while ago and said, 'Don't you know that the Wabash bonds are now out of the B-1 category?' He said, 'That's right. They are in B-1 plus, which is bank rating.' Well, take your utilities of 1935. Your fiduciaries couldn't buy them with a ten-foot pole when they were selling at 55 and 60. Remember when the utilities of Public Service of Northern Illinois, of West Texas, and of Kentucky couldn't be sold to the banks with a ten-foot pole. Yet they were no different then than they are today. They have all been refunded, they are all selling above par, and the rating is up to where it should be or should have been in the beginning.

"Take your revenue bonds. At the end of the year every revenue bond worthy of the name—Triborough Bridge, Henry Hudson Bridge, Delaware River Bridge—was rated A. A couple of weeks ago they withdrew the ratings. Now they have no rating. What do ratings mean? They don't mean anything. Yet do you realize that 5,000 or more banks are ruled by those ratings; they are ruled by them and satisfied with them. I certainly am not going to waste my time trying to change the system.

"As to income bonds, of course, they couldn't possibly rate income bonds anything. There are six ratings difference between Atchison income bonds and those of Erie. Therefore, who can take advantage of that? If the fiduciaries can't take advantage of it, then the individuals are being offered an opportunity never before offered to them: and that is, to participate on the inside of a reorganization deal. A lot of you fellows are unlisted. You know the money that is made. If you time a reorganization right—in other words over an 18 months' pull—you buy the old securities when they are kicking around for nothing almost, and if you know the timing right, that is the biggest killing that you can make for your customers and for yourselves—in timing railroad reorganizations or any other reorganizations right. And yet how few times in the history of this country have the public and fellows like yourselves been allowed to participate in a thing like that!

"In the olden days we did get St. Paul 'adjures' in the 1925 reorganization, when the National City companies sold them to us at 88. That is when we were allowed to get in. Now we are able to buy the St. Paul first mortgage bonds at the equivalent of about 20 cents on the dollar by buying the old securities and selling the incomes and the commons and the preferred. I have never been offered that opportunity before to participate in the profit. And you might say that the New Haven bonds are up, but they are only up enough to partially discount the fact that tremendous cash payments are coming and that there are tremendous possibilities of depreciation. I could illustrate that with the 'Frisco bonds, where the leverage is far greater, but I think that one illustration is sufficient to give you some idea of the leverage.

"I have run up against this, too, in the new first mortgage bonds, where I suggest, for example, the sale of Southern Railway 5s at 97 and the purchase of the new Erie first mortgage bonds at 85. Incidentally, they have crossed each other since. Southern Railway 5s are selling below 90 and Erie's at 92. But the attorney (this was in Philadelphia, the largest trust company down there) came in and said, 'My young man, it is prima facie evidence in a surcharge suit if you buy a bond at 72 or 75, that I wouldn't be able to defend it at all. It would be all right if the bond were selling at par.' Oh yes, that's all right. In other words, fiduciaries are penalized. It is perfectly all right to buy that same bond under exactly the same conditions, as long as it is selling at par.

"Now, if they are penalized because of their restrictions, you are not penalized; and if you can analyze these things so that you know what you are doing yourself, you can give other individuals and yourselves the benefit of it. I rebutted him by saying, 'You have over three million Southern Railway 5s in here. They are selling at 97. They are up from 35. If they go back to 35, then I will come down and sue you for not selling them. What is your defense there? He didn't have any defense. He couldn't have any defense. All I was suggesting is that he sell one and buy the other. Well, the law is such that he couldn't do that. But I would hate to defend any institution on surcharge — not selling a borderline bond at 97 when it may go down to 35—because you just can't sit there and do nothing, for somebody is going to wake you up some day.

"I will go into some of the things that we hear so much about. In other words, once you convince an audience that you've got something, somebody gets up and says, 'Well, it's all very nice to hear what you have to say, but railroad labor gets the benefit of all these things, and they are just running away from the thing.' Let's look at the thing realistically and see what that particular situation is. I think I have some current statistics on it here somewhere (looking through papers). Well, I'll give you the statistics for the previous year. I have some figures here which are true for '41 as they are true for '40, only more so, which will help to overcome the labor argument that labor gets everything out of the railroads. In 1940, the railroads did 97½% of the business that they did in 1930. However, the wage bill for the same period was down $600,000,000. In other words, in the former period they employed close to two million men; in 1940 they only employed about one million men.

"Another thing is that over the last 23 years the ratio of wages to gross business—the percentage of wages to gross business has never varied over 1% away from 47%, and it hasn't taken two or three years to do that. In other words, that is true of '30 and '31, and when they had that tremendous drop in '32 the wage bill was still 46 or 47 or 48% of the gross business. The railroads have absolute control of their wage bill, more so than any industrial corporation. But you don't hear about it. For the railroads are constantly telling us the other side of the story, but we, being capitalists (at least we were!), are not interested in the other side of the story. But it is a fact that the gross controls the wage bill; the gross business of the railroads controls the wage bill, more so now than ever.

"For example, in 1939, for each dollar of wages you got about 145 ton-miles. Now ton-miles is a unit of business of a railroad. The first six months this year you got 380 ton-miles for each dollar of wages. Wages have gone up 14% since then. (I hope Mr. Whitney isn't here now or he will knock me down!)

"In come cases, before we saw the performance of the railroads, they asked me if I thought that the Government would take over the railroads during the war. Well, the Government has taken over the railroads. They have taken over the railroads, every bit of every part of the railroads, except financial; and they are not going to do it financially because they are not interested in finance. Mr. Eastman has more power than McAdoo ever had. Eastman has every power that McAdoo had and the Government has taken over the railroads. So you don't have to worry about them taking them over. Eastman has complete power over every railroad. Not only that, but he has taken over every truck used in interstate commerce and every barge line. The Army has taken over the airlines. So that except financially, the Government has taken over all your transportation agencies.

(Continued on page 808)

This announcement is under no circumstances to be construed as an offer of these securities for sale or as a solicitation of an offer to buy any of such securities.

New Issue September 1, 1942

$33,950,000

City of San Antonio, Texas

Electric and Gas Revenue Bonds

Dated August 1, 1942 **Due as shown below**

Prices as shown below

plus accrued interest from August 1, 1942 to date of delivery

Principal amount	Interest rate	Due August 1	Price to yield to maturity	Principal amount	Interest rate	Due August 1	Price to yield to maturity
$ 750,000	3%	1944	1.00%	$1,170,000	2½%	1959	2.65%
775,000	3	1945	1.20	1,205,000	2½	1960	2.65
800,000	3	1946	1.40	1,240,000	2¾	1961	2.70
825,000	3	1947	1.60	1,275,000	2¾	1962	2.70
850,000	3	1948	1.80	1,315,000	2¾	1963	2.75
875,000	3	1949	2.00	1,355,000	2¾	1964	2.75
900,000	3	1950	2.10	1,395,000	3	1965	2.85
925,000	3	1951	2.20	1,435,000	3	1966	2.85
955,000	3	1952	2.30	1,480,000	3	1967	2.85
980,000	3	1953	2.40	1,525,000	3	1968	2.90
1,010,000	3	1954	2.50	1,570,000	3	1969	2.90
1,040,000	2¾	1955	2.50	1,615,000	3	1970	2.90
1,070,000	2¾	1956	2.55	1,665,000	3	1971	2.90
1,100,000	2¾	1957	2.60				Price
1,135,000	2¾	1958	2.65	1,715,000	2½%	1972	104%

For further information relating to these securities, reference is made to the circular dated August 31, 1942, which should be read prior to any purchase of these securities and which contains information furnished by the Mayor of the City of San Antonio, Texas. Copies of the circular may be obtained from such of the undersigned (who are among the underwriters referred to in such circular) as may legally offer these securities under applicable securities laws.

Dillon, Read & Co.

A. C. Allyn and Company Incorporated **Union Securities Corporation** **E. H. Rollins & Sons** Incorporated

Stone & Webster and Blodget Incorporated **Goldman, Sachs & Co.** **Hornblower & Weeks** **W. C. Langley & Co.**

Blair & Co., Inc. **Equitable Securities Corporation** **Shields & Company** **Lee Higginson Corporation**

White, Weld & Co. **Hemphill, Noyes & Co.** **Tucker, Anthony & Co.** **Riter & Co.**

Stranahan, Harris & Co. Incorporated **B. J. Van Ingen & Co. Inc.** **Eldredge & Co.** Incorporated **Paine, Webber, Jackson & Curtis**

Dewar, Robertson & Pancoast **Mahan, Dittmar & Company** **Russ & Company** **Pitman & Company, Inc.**

Favorable Outlook Seen For Reorganized Rails

(Continued from page 807)

"Eastman can do anything that he wants to. He can stop the North Western from running trains to Milwaukee and Twin Cities and let the St. Paul handle it. He hasn't gotten around to that yet, but he can do it. He has issued his orders, and they will obey them, and they are going to obey them too. So you have no government bugaboo because Eastman has taken over the railroads—every function of the railroads except financial; and he is not going to do that. Why should he?

"As you know, Allegheny spent thousands of dollars all over the United States in opposing the Missouri Pacific plan on the basis that the tax base for the excess of the new companies would be the par value of bonds plus the market value of stocks. Yesterday the Senate Finance Committee received a joint recommendation from the Treasury, and the Joint Committee stated the rule under which they will use the old base for new corporation, which just kills the argument. We expected it right along, and it is going to be in the tax bill.

"Another thing which might possibly help railroads of the borderline type is the part of the tax bill which, I believe, will be in there to authorize and allow railroads to buy bonds at a discount and not to pay a tax on the discount. But how much of an effect it will have, I don't know, because I think all your borderline railroads will be buying the short-term maturities rather than the long-term ones.

"Well, to close the general discussion, I shall simply try to leave with this audience, whether you are listed or unlisted or anything else, the fact that we either have to merchandise ideas in something that somebody else hasn't got or we have to merchandise something with a spread in it. Otherwise it is virtually impossible for us to make a living. We have found out that these special offerings can be sold. Why? Because in effect they are giving you a commission so that you make a living out of it. That is why these offerings go over. It is merchandising, but you get paid for your merchandising.

"If you take ideas to the public, you will, in my opinion, be merchandising something. You are merchandising those ideas. Despite the fact that you can't stabilize the market and all that sort of thing, I think your idea will be worth its hire from anybody with any reasonable judgment. For the competition in ideas is not too keen these days. How many ideas can you develop? There aren't too many. Outside of your special offerings, it sometimes amazes me why people will buy steel with a 45 cent commission when they won't buy it when the commission is 6 cents. But I think that we in the financial business must either merchandise our ideas or we won't be in it very long.

"One more thing. The spread in railroad securities is not too wide; but the spread in proportion to the money invested is not bad. You can go out and buy 2½ New Havens for $1,000, and you can go out and buy almost 7 St. Louis-San Francisco's for $1,000. The commission is $2.50 a bond straight. A lot of you fellows are members. I'm sure that if you go out and sell ideas like this to a customer, he is going to give you a reasonable commission on top of it. My greatest difficulty has been to get unlisted boys and unlisted departments of the listed houses to go out and try it. But those who have tried it have been very successful—and they didn't know a rail from a bale of hay before they started. So don't think it is complicated. It is a specialty. But once you know one, you know them all."

The railroad forum, conducted by Mr. McGinnis was well attended, several railroad officials being present in addition to the traders and their guests from various organizations outside the securities field.

George Nelson Joins Robertson & Co. Staff

George Nelson has become associated with Robertson & Company, 40 Wall Street, New York City members of the New York Stock Exchange. Mr. Nelson formerly was a partner in George Nelson & Co. for many years.

Ft. Pitt Bridge Works
Common & 6s of 50
Penn. Central Airlines
Convertible Preferred
Mexican External
and Internal Loans
Mexican Interest Arrears Cfs.
Bought—Sold—Quoted
M. S. WIEN & CO.
Members N. Y. Security Dealers Ass'n
25 Broad St., N.Y. HAnover 2-8780
Teletype N. Y. 1-1397

Selected Inv. Sales Staff With Rollins

CHICAGO, ILL. — Announcement is made that effective September 8th, the retail sales organization of Selected Investments Company will become associated with E. H. Rollins & Sons Incorporated, in the Middle West. The cities in which Selected Investments maintains offices are: Chicago, Detroit and St. Louis. Alvin H. Baum, J. Milton Coulter, Drury Sheehan and other men who have been identified with Selected Investments since that company was founded will be among those to be included in the expanded operation with the Rollins firm. In Detroit, Ray E. Davis will become resident manager, the same position he held with Selected Investments, while in St. Louis, Walter C. Rawls will continue as Rollins' resident manager, and Harold H. Giger has been appointed sales manager.

Perry Dryden

E. H. Rollins & Sons Incorporated will move into new quarters next week in the Field Building, 135 South La Salle Street, Chicago, and will continue in their present St. Louis quarters in the Boatmen's National Bank Building, while in Detroit they will occupy offices in the Penobscot Building.

Selected Investments Company will continue as sponsor and wholesaler of Selected American Shares, Inc., whose portfolio will remain under the management of Security Supervisors, Inc., investment advisors.

E. H. Rollins & Sons Incorporated maintain major offices in New York, Boston, Philadelphia and San Francisco, as well as Chicago, and out of these major offices operates more than thirty branch offices. The operation of Rollins in the Middle West will continue under the direction of Perry Dryden, a Vice-President and Director of the corporation.

T. H. Sherman With Newburger & Hano

Newburger & Hano announce the removal of their Baltimore office to the Keyser Building, and the association with their Baltimore investment department of Thomas H. Sherman, formerly with Mackubin, Legg & Co.

The Harrisburg, Pa., office of Newburger & Hano has been removed to the Blackstone Building and will be under the management of Ray E. Taylor. Associated with him in this office will be John L. Costello.

Charles Euler has become associated with the firm's main office in Philadelphia, Pa., 1419 Walnut Street.

Final Edition
THURSDAY
In 2 Sections – Section 2

The COMMERCIAL & FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 156 Number 4104
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Price 60 Cents a Copy

Senate Group Votes 45% Normal-Surtax Rate Excess Profits Tax Passed With 80% Ceiling

The Senate Finance Committee, continuing its drafting of a new tax bill, voted on Aug. 31 to retain the combined normal and surtax rate of 45% and the excess profits tax of 90% for corporations as provided in the House bill. The Senate group also approved a post-war credit refund equal to 10% of surtaxes and excess-profits taxes and voted that no corporation should be forced to pay more than 80% of its taxable excess-profits income to the Government.

The Treasury had urged the Committee to increase the normal-surtax rate to 55% with a post-war rebate of 12%.

It was estimated by Committee members that these actions would reduce corporation revenues by about $800,000,000 below the House-approved schedules, mostly accounted for in the post-war credit provision. Taken with previous Senate group reductions of about $300,000,000, it is understood the Senate bill's yield is now only $5,171,000,000. The House-approved bill was designed to yield $6,271,000,000, while the Treasury was seeking to raise the yield to $8,700,000,000.

However, the Senate Finance Committee also acted to raise the yield by from $50,000,000 to $80,000,000 when it reduced from $10,000 to $5,000 the flat excess-profits tax exemption approved by the House.

Senator George (Dem., Ga.) Chairman of the Senate group, said that action on the corporate tax structure was virtually completed, although the votes were technically tentative.

The Senate Committee on Aug. 31 approved several other provisions of the House bill including:

Rates for corporations with net incomes of $25,000 or less.

Taxes on personal holding companies.

Provisions permitting consolidated returns of affiliated corporations, including the 2% penalty.

In addition the Committee approved a "carry-back" of losses and unused excess-profits credits for a two-year period.

The Senate group is now expected to give consideration to the Treasury's newly-proposed "spending tax." Senator George said on Aug. 30 that the spending tax would apply on all money paid out by an individual in the course of the year in excess of certain specified exemptions.

Under the program, the spend-

(Continued on page 819)

FROM WASHINGTON AHEAD OF THE NEWS

By CARLISLE BARGERON

In a way, it is fascinating to watch a "problem" develop in Washington and then move towards a solution. The "problem" of meat appeared a few weeks ago in the Eastern States. In a country which a few years ago was killing little pigs, housewives began experiencing an inability to get certain kinds of meat. First, one housewife had the experience, then another one. The word got around as the word has a way of getting around among housewives, and the first thing you knew, there was a collective housewives' squall that landed in the headlines. A meat "problem" had landed in the laps of the Washington bureaucrats, those fellows who know all, see all and solve all. In this instance, they had a ready explanation. It was that the wholesale and retail meat dealers had run into a price squeeze, a price ceiling being over them but not over the meat producers.

Well, you would think in these circumstances that the thing to do would be something about the price squeeze.

But the next thing we hear is a suggestion by Mr. Roosevelt that we will have to have meatless days. The so-called shortage and the proposed meatless days can't possibly have any relation, because the so-called shortage is something the housewives have already been experiencing and Mr. Roosevelt's explanation of the possible necessity for meatless days is that we can save tonnage by this country's supplying all the meat needed by the United Nations instead of their getting it also from Australia and the Argentine—something for the future. We aren't thus saving that tonnage now, it is a plan that may be undertaken later. But you can see how we have jumped from an already existing problem to another problem. The first one is solved by the second. Instead of doing something about that price squeeze, let's get up another problem and settle it by meatless days.

Aside from this phase, we are intrigued by the President's explanation of how we can save ton-

(Continued on page 815)

One Reader Says...

"The Financial Chronicle has been so useful that we have had the copies bound and kept for reference."

Running through our correspondence, we find a subscriber whose file of bound copies dates back to 1887—another to 1906—and still another to 1880. Can there be any doubt in your mind about the value of binding your copies of the Financial Chronicle, of having at your finger tips a complete record of all important financial developments? The new Financial Chronicle was designed for binding. With the larger page size, bound volumes will be thinner, will open flat and will be easier to handle.

This is merely a suggestion—passed along to you because we want you to get full value from your subscription to the Financial Chronicle.

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THE FINANCIAL SITUATION

For some little while past the President has been under considerable pressure to "reassert" his leadership. Many of his well-wishers and others who have grown gravely uneasy in the face of the faltering war production program and the confusion of counsel apparent on almost every side in Washington have been insisting that the President personally come to the microphone and reassure the people, bolster their allegedly wavering morale, and somehow stimulate the rank and file to greater and more effective effort. To all this the Chief Executive is now about to respond. Having some time ago directed his subordinates to cease sniping at one another, he, himself, will next week speak directly to the American public.

Mere Speech-Making Will Not Help

What he will say remains for the future to disclose, but it is quite safe to assert before the event that no mere speech-making—not even by the President himself—will help matters greatly. The reason is simple. The trouble lies not with the people, their morale, their willingness to sacrifice if need be, or their lack of understanding of the gravity of the situation by which the country is faced today, but with Washington. Further solemn warnings of the trials ahead, more graphic, we had almost said gruesome, accounts of what failure may mean, or additional reiterations of the now familiar demand that we all act as Spartans can scarcely fail, standing alone, to make the situation worse instead of better. The people of this country, or certainly those who follow current events intelligently, are sick unto death of being preached at. They want no more of it.

What they do insist upon is that those in positions of authority and responsibility in Washington, whether at one end of Pennsylvania Avenue or the other, act as if they themselves believed what they are forever shouting. They well know without being told morning, noon and night that we have undertaken a task which in magnitude and difficulty makes anything we have ever done in the past appear almost trifling. They are precisely as well aware as is any one in Washington what the penalty of

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Wanted: Management, Leadership

The Army, the Navy, and American industry must share the blame for many of these shortages. Perhaps we were not realistic enough. But now that the shortages are near, choking our victory, smothering our every attempt to win, it is not yet too late to solve our problems. America still wastes steel. We still wear our rubber unnecessarily.

This must stop. American industry has proved again and again that it has the skill, the know-how to win over tremendous obstacles. It must put the skill to work now, quickly, without one minute's delay. It must find means of substituting all the way down the line.

Industry must forget self absolutely, must forget that it ever knew peacetime rivalry. It must remember that a single hoarded sheet of steel, a single unused bin of bolts, may mean the death of Americans on distant battlefronts.

It must not forget that we are losing the war, that we will continue to lose until we unite, unselfishly, until each of us here on the home front is guided in his every thought and action by the same spirit that inspires our soldiers dying on the battlefront.—Lieutenant-General Somervell.

Yes, all this and more needs badly to be done, but the situation is not one which is likely to prove amenable to mere appeals to the public.

What is lacking is able over-all management and intelligent and intelligible leadership.

Such management and such leadership we must above all things have.

The State Of Trade

A new current high was reached for business activity last week. A new all-time peak was reported for electric output, and carloadings, petroleum runs-to-stills, steel operations and Detroit industrial activity showed considerable improvement.

More electric power was consumed last week than in any previous period in United States history, the Edison Electric Institute reported. Output for the week ended Aug. 22 was 3,673,717,000 kilowatt hours, compared with 3,654,795,000 in the previous week and 3,230,750,000 a year earlier.

The Pacific Coast, where aircraft and other war manufacturing take great quantities of electric power, used 27.1% more than in the like week a year ago, while the Southern states used 19% more than a year ago.

For the nation, electric power consumption was up 13.7% compared with 1941 figures.

Carloadings of revenue freight for the week ended Aug. 22, totaled 869,404 cars, according to reports filed by the railroads with the Association of American Railroads and made public recently. This was an increase of 559 cars over the preceding week this year, 30,384 cars under the corresponding week in 1941 and 108,296 cars above the same period two years ago.

This total was 125.80% of average loadings for the corresponding week of the 10 preceding years.

The nation's steel mills will operate at 97.6% of capacity this week, an increase of 3/10ths of 1% over the previous week, according to estimates of the American Iron & Steel Institute.

Production this week will total around 1,669,600 tons, compared with 1,664,500 tons last week and 1,639,200 tons, or 95.8% of capacity, a month ago. The rate a year ago on a smaller capacity for the industry was 96.3%, or about 1,591,100 tons of steel.

Department store sales on a country-wide basis were down 3% for the week ended Aug. 22, compared with the same week a year ago, it was shown in the weekly figures made public by the Board of Governors of the Federal Reserve System.

Department store sales in New York City in the week ended Aug. 22 were 7% less than in the same week last year, and in the four weeks ended Aug. 22, were 10% below those of the same 1941 period, the New York Federal Reserve Bank reported.

Department store sales in New York City in the week ended Aug. 29, were 13% smaller than in the corresponding week of last year, according to a preliminary estimate issued by the New York Federal Reserve Bank.

Sales of all retail stores during the month of July aggregated $4,389,000,000, according to the latest estimates of the Department of Commerce.

This was a decrease of only 1% from June sales, indicating that retail trade was strongly maintained in July, the department said. Before the war the average seasonal decline from June to July was much greater than 1%, and therefore the department's seasonally adjusted index increased 6% to 144 (1935-39—100), the highest level since January.

Class I railroads of the United States had an estimated net income, after interest and rentals, of $376,500,000 in the first seven months of 1942, it was announced by the Association of American Railroads. The same railroads in the corresponding 1941 period had a net income of $233,521,909.

Total war production, despite criticisms in recent weeks, is moving steadily forward. Treasury figures on outgo for all war activities will reach a new high of close to $4,760,000,000 this month (August), or more than double the amount spent in January of this year. Currently, war production is proceeding at the rate of $57,000,000,000 annually, as against the President's goal of $40,000,000,00 for 1942. Moreover, when measured against activity at this time a year ago, production today shows a gan of 315%.

The national debt is mounting rapidly. A year ago it was approximately $50,000,000,000. Today it is around $81,000,000,000, a rise of more than 60%. Washington estimates place the national debt at close to $125,000,000,000 by July 1, 1943. President Roosevelt sees it at about $175,000,000,000 by the end of the war.

The people today have more money and more purchasing power than at any time in the nation's history. Income payments to individuals this year are expected to reach the all-time top of $113,000,000,000. In 1929 they were $82,000,000,000, and in 1939, the year in which the war started, they were $70,000,000,000.

Employment is at a new record high of $54,000,000, according to Work Projects Administration figures. Since July, 1940, employment has increased by 6,400,000. There still are 2,800,000 unemployed, including young people seeking jobs for the first time.

Labor strikes in July numbered 222, involving 80,722 men, with 1,868,912 man-hours lost, according to the findings of a survey released by the National Association of Manufacturers.

The number of strikes compared with 192 in June and 27 in January. The "wildcats" walkouts, the majority of which impeded production in vital war material plants, were reported for the most part to be over "trivial issues."

"While the number of men involved and the number of man-hours lost during July were slightly more than those lost in June, the increase in the number of actual walk-outs, coupled with location and type of production disturbance, served to emphasize the growing rebelliousness of labor minorities which continue to ignore the appeals of both labor union leaders and the War Labor Board," the association pointed out.

Booklets Ready On War Work Training

A 300-page instructional book on "Advanced Blueprint Reading" has been added to the list of educational literature available for war production training of workers, according to O. W. Winter, President of the American Society of Tool Engineers and national chairman of the society's Education and Training Committee. From the announcement in the matter we quote:

The book, with a few other monographs, will complete the national defense training project of educational literature prepared under the supervision of the New York State Education Department and distributed with the cooperation of the A. S. T. E. The State Education Department at the same time has announced that hereafter copies of any of its defense training books and monographs may be obtained directly from the Department. Previously, the books have been handled through private publishers.

Still pending publications under the project and scheduled for publication within the next two months include the balance of a series on the Training of Women to add to the booklet on "Light Machine Operation" already issued; Part II of a two-volume book on Aircraft Assembly; an instructional book on "Layout" in the sheet metal series; a book on "Measurement" for the Electrical series, and a Teacher's Laboratory Organization Manual for Aircraft Inspection.

Tax Deductions Made For Advertising

An explanation of the attitude of the Treasury Department and the Bureau of Internal Revenue toward deductibility of advertising expenses on corporate income-tax returns was released on Aug. 27 by the Association of National Advertisers, Inc., with the approval of the Office of the Commissioner of Internal Revenue.

The explanation, issued in the form of a letter signed by Paul B. West, President of the Association, sets forth the general policy that "the Treasury Department and the Bureau of Internal Revenue fully appreciate the important part advertising plays in our national economy and there is no intention to restrict reasonable and normal advertising by disallowing it as a deductible expense."

Based on the results of recent conferences between representatives of the Bureau and the Association, the memorandum says that advertising resulting either directly or indirectly from the war emergency, will be treated by the Bureau in each case on its individual merits. In general, the Bureau will be rational and fair, recognizing that advertising is a necessary and legitimate expense of doing business as long as it is not carried to an unreasonable extent or becomes an obvious attempt to avoid tax payments, Mr. West said.

The Bureau recognizes that advertising costs have been forced upward by increased space and time rates, increased cost of printing, engraving, art work and other advertising production costs, Mr. West said. In this connection, the Bureau suggests that advertisers keep their cost records as complete as possible.

It was also stated that the Bureau recognizes that in many cases gasoline rationing and tire restrictions have cut down salesmen's calls on dealers, thus throwing an added burden on advertising since expenditures for direct mail and dealer house organs must be boosted.

With respect to the increased need for advertising resulting from the war effort, the following matters were discussed in the Association's letter:

1. Salvage campaign expenditures to be deductible must bear a direct relation to the business carried on by the corporation and must be made with a reasonable expectation that its business will be benefited by an increase in materials essential to its operations.

2. New products resulting from priorities, the cutting off of materials, new research and the development of substitutes. The Bureau will take into consideration all normal factors incident to launching a new product, if they are reasonable in amount.

3. Added lines acquired by manufacturers to keep dealers in business. The Bureau recognizes that manufacturers must merchandise these to the dealer and public through advertising.

4. Changes in buying habits. For example, beverage manufacturers attempting to educate the public to use large instead of small size bottles because of shortage of plate for metal caps will be allowed deductions for reasonable advertising expenditures.

5. Advertising to speed war production through campaigns using various media in offices and plants will be recognized as a justifiable expense so long as it is reasonable, whether that expense is listed as a production or a selling (advertising) cost.

6. New companies organized for the sole production of war materials will be allowed deductions for reasonable advertising expenses to promote their names so that when the war ends and they turn to peacetime activities the public will recognize them.

Says Brazil Is Prepared For Economic Collaboration With United Nations

The importance of Brazil as a United Nations' ally and as a source of strategic supplies is discussed by the Guaranty Trust Company of New York in its monthly review, "The Guaranty Survey," in an article that is based in part on information contained in a report especially compiled for it by direction of Dr. Oswaldo Aranha, Minister of Foreign Affairs of Brazil.

"The advent of war finds Brazil by no means unprepared for the fullest economic collaboration with the other United Nations," states "The Survey," which was issued Aug. 31. "Both American continents must be helped now and in the future by their current harmonizing of national economies. Each is gaining increased appreciation of the necessity and the promise of the new reaches of cooperation now attained. And there is an inviting opportunity for reaping the benefits that will be assured by destruction of the present menace to the foundations of orderly living.

"The acute shortage of rubber in the United States (where, it is estimated, more than 800,000 tons will be required this year) has aroused unusual interest in the potentialities of existing sources of supply in tropical America. Apparently it is generally expected that only relatively small amounts of additional supplies of natural rubber will be made promptly available. Several regions, however, are considered capable of development as producers of the material within a few years. Brazil's forests provide the greatest concentration of mature trees for tapping. There, actual work is progressing as planned under a program for expansion of production, organized jointly by Brazil and the United States with a view both to meeting an emergency need and to preparation for continuing commercial importance after the war.

"Rubber is the most important of the urgently needed materials that Brazil can help supply. By agreement with the United States, the entire Brazilian output in excess of minimum local needs is reserved for this country for a period of five years. Portions of the locally manufactured rubber products also are to be sold here, and domestic manufactures not essential for war purposes are restricted. Of the comparatively small amount of natural rubber to be expected in the near future from all sources still available to the United Nations, the Brazilian supply holds the most promise. During its period of greatest activity, about 30 years ago, the Brazilian industry produced approximately 40,000 tons annually, about 60% of the total world output at that time.

"Organization of working forces for the Brazilian rubber enterprise is progressing, with technical direction and means of financing supplied partly by the United States. The task involves the migration of thousands of workers, the provision of housing and a variety of installations for the protection of their health, extension of roads into forest areas, the assembling of equipment for transportation by water and by land, etc. Tappers already at work reportedly number about 40,000, with half as many more to be equipped by the end of this year.

"The rubber enterprise illustrates numerous steps taken recently to link more closely the economic activities of the American peoples. And no part of the unified action is more significant than the cooperation of these two countries.

"This attainment by southern and northern neighbors is an outgrowth of their long-time friendship, notably strengthened by their unity of purpose in the wartime emergency. Preparation for the current harmony in facing a common menace was extended in recent pre-war years by the marked growth of mutual understanding and cordiality that featured relations between the United States and Latin America.

"Manganese—an essential metal for basic operations in our war industries, the ingredient that 'puts starch in steel'—is increasingly drawn from Brazil. As compared with less than 200,000 metric tons of ore exported in 1939, the country's shipments of the product in 1941 reportedly exceeded twice that amount. A further rise of 50% this year is indicated. Production was recently reported at a rate six times the output at the beginning of the war in Europe.

"Exports of iron ore amounted to 420,000 tons last year. The country has large deposits of the highest grade, but extraction has not been greatly developed. The annual capacity of the steel plant now being established at Volta Redonda is calculated to reach 750,000 tons, ten times the entire Brazilian output in 1937. Numerous other minerals are listed among the essential supplies that Brazil is providing; they include chrome ore, mica, industrial diamonds and quartz crystals. Not all the products covered by the present series of special agreements are wanted primarily for use in war industries; civilian needs also have consideration.

"The country has large supplies of oil-bearing vegetable products. The export trade in cottonseed oil and castor beans, best known of the materials supplied by agriculture, has been considerably developed. The output of uncultivated sources is assuming commercial importance. Substantial quantities of oiticica oil, now replacing tung oil in the preparation of paints and having other uses, have been exported. The babassu nut is among the forest products having outstanding prospective importance. Its oil has been increasingly used abroad in the manufacture of soaps, perfumes, etc.; and Brazil's babassu palm trees could support commercial exploitation on a broad scale."

Speakers Announced For MBA Conference

Senator Harold H. Burton of Ohio, John B. Blandford, Jr., Administrator of the National Housing Agency; William Trufant Foster, President of the Pollak Foundation for Economic Research, and Frederick P. Champ, President of the Mortgage Bankers Association of America, will be four of the principal speakers at the Association's Conference on Wartime Mortgage Finance and 29th annual business meeting at the Edgewater Beach Hotel in Chicago, Sept. 30 to Oct. 2. The Conference replaces the 29th annual MBA convention cancelled earlier, as indicated in our issue of July 23, page 274. Mayor Edward J. Kelly of Chicago will open the Conference. Senator Burton, a member of the sub-committee of the Senate Truman Committee, is now in Alaska with certain members of the Senate Military Affairs Committee on an inspection tour. His address will be "America Looks Ahead." Subjects of the other addresses will be announced later. The Conference program is being devoted entirely to present-day wartime activities in which mortgage bankers, real estate men, bankers and builders are engaged. All of the non-essential convention activities are being eliminated.

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failure would be. There is no need for this continuous stream of gruesome "drama" mingled with Alice-in-Wonderland exhortation, which pours from the radio almost without cessation. The people are aroused, but they sometimes wonder if the authorities are—or if the powers that be are really aroused, whether they are not like a group of school children caught in a fire, running around with but the vaguest idea what to do or how to do it.

Too Much Talking; Too Little Management

If the morale of the public in this country is suffering, here is the cause of it, and the cure can not be found in any sort of speech-making. The cure lies, not in words, but in action, intelligent, vigorous, effective action, and it will be found nowhere else. The public is frightened, seriously frightened, perhaps too frightened about the prospect of rising prices—made so in part at least by doleful prophecies from Washington. They do not need any further "scaring." The more Washington "scares" the greater the doubt becomes as to whether it either can or will do anything effective. The public is not afraid of taxation, but informed elements among the people can find no evidence that Washington is willing to lay tax burdens in a way that even approaches equity or courageous financial statesmanship, and that is a serious cause of worry and want of confidence at a time when faith and enthusiasm are most essential.

Then, of course, there is the war production program that has gone awry. Precisely how badly it is out of gear, no one outside of the inner circle in Washington is able to determine. It may even be doubted if the War Production Board itself is able to obtain a clear picture of the situation. Heads have been falling about the Board's offices of late, and Washington dispatches describe Mr. Nelson has having grown "tough," but the public well knows that problems such as those facing that organization are not solved merely by lopping off heads or getting "tough." Almost daily announcements of changes in methods and technique come from Washington, but to most observers it is highly questionable whether mere procedures are the root of the trouble. Here is a situation which has hit the American public hard, and no effective radio delivery is likely of itself to ease the pain, doubts, or dissatisfaction it has caused.

No Mystery, Really

A great mystery is being made of the precise nature and cause of the breakdown, but in the larger and most important sense there is no mystery whatever about it. Washington has grown under the Roosevelt Administration to be a wholly unattractive place for men of proved industrial experience and ability, and when they have put all personal considerations aside and gone there to work they have found it next to impossible to be even half effective, so overwhelming are the back-biting, the sniping, the intrigue, and the anti-business attitude on the part of virtually all groups with real influence at the White House. Mr. Nelson has just found it necessary to accept one resignation by reason of the activities of the Department of Justice in the anti-trust field. If he were obliged to staff his organization with men whose companies and who personally are free of serious and often quite unfair attack by the Department of Justice, he would be hard put to it indeed. This, however, is but one aspect of a situation which permeates the entire Washington scene, and which, if it is permitted to continue, must continue to be the heaviest sort of burden upon the war production effort in its entirety. The Kaiser episode superbly illustrates and personifies this state of affairs.

Congress, too, must bear a substantial share of the responsibility for all that has gone wrong with the war production program. It has permitted few opportunities to pass for sniping indiscriminately at everything that has been taking place, good, bad or indifferent. Its committees have not only employed opportunities, but have created them, for making the lives of Mr. Nelson and all his staff as miserable as they could—and of impairing their effectiveness as well as rendering it impossible to attract the right men to the tasks in hand. Very seldom if ever in our history has Congress set up a record comparable in sheer destructiveness and small-minded perversity to that of the past year, particularly, perhaps, since Pearl Harbor last December. The wonder is not the war production program is faltering, but that it has been able to do as well as it has in the actually existing circumstances.

Politics, Politics!

The adverse affect that all this is having upon the minds of the people is not alleviated by the obvious "stalling" on all sides until after the autumn elections. It is altogether too evident that politics has not for a moment been adjourned despite the desperate need of the nation for concentration upon the war tasks by which it is confronted. The President's unfortunate part in the New York Democratic party situation was but a symbol of what is taking place in national affairs generally. It is indeed a sad commentary upon the situation that everywhere every day is heard the assertion that this or that should be done, but can not be expected until after the election. The reason it can not be done, as every one knows is found in the weakness of precisely those who are eternally badgering the public to wake to the seriousness of the situation by which we all are faced.

If the President is prepared to give convincing assurances that these things will be corrected without delay—and his assurances are quickly followed by effective action—his words to the nation will really be helpful. Otherwise, he had better remain silent.

FDR Vows Defeat Of Tyrants; Praises Navy

President Roosevelt declared on Aug. 31 that this country is wholly dedicated to the defeat of "a few inhuman tyrants—German, Italian and Japanese" — and to the removal from the earth of the injustices and inequalities which create such tyrants and breed new wars.

The President made this statement in an address dedicating the new Naval Medical Center at Bethesda, Md. The occasion also marked the 100th anniversary of the establishment of the Navy's Bureau of Medicine and Surgery.

Mr. Roosevelt paid tribute to the Navy for the fight it has made since Pearl Harbor—"the darkest hour in our Navy's history." As to the question "Where is the United States Navy?" the President said our enemies know the beginning of the answer to that question, mentioning specifically the Atlantic, Coral Sea, Midway and the Solomon Islands. He added:

"It is there where it has always been. It is in there fighting. It is carrying out the command to hit our enemy, and hit him again, wherever and whenever we find him."

The President also praised the "brave and skillful men and women" of the Bureau of Medicine and Surgery for carrying on their unending fight "to keep as many men at as many guns as many days as possible."

In his talk, which was broadcast to Naval medical bureau forces throughout the world, the President further stated that there are far too many casualties among the civilian population. He revealed that automobile accidents last year caused 40,000 fatalities and 1,500,000 injured and that industrial accidents accounted for 19,200 fatalities and over 2,000,000 injured, including 100,000 permanent disabilities.

Pointing out that many of those killed or disabled by industrial accidents could have helped to build planes, tanks, ships and guns, the President called for participation "in the saving of our manpower." He also disclosed that the time lost by industrial accidents, apart from those producing fatalities, reached the "almost incredible" total of 42,000,000 man days last year.

The text of the President's address follows:

"In this hospital which we dedicate in this green, peaceful Maryland countryside, our Navy battles against disease and disability and death.

"Those who fight this vital battle here are anonymous heroes of this war—the officers, men and women of the Bureau of Medicine and Surgery, which today celebrates its 100th birthday. They are surgeons and nurses, scientists and technicians, who are part of a service extending throughout the world. On land and sea and in the air, they have carried on their unending fight 'to keep as many men at as many guns as many days as possible.'

"The cornerstone of this hospital was laid by me on Armistice Day of 1940, less than two years ago.

"We were then at peace. But even then we could see the designs of our foes; we had already begun to arm on a vast scale to meet their attacks.

"Less than a year later, men of our Navy were killed in action in the North Atlantic. They were men of the destroyers Kearny and Reuben James, patrolling the sea lanes of the North Atlantic. These American ships were attacked by Nazi submarines many weeks before their partners in crime, the Japanese, launched their attack on Pearl Harbor.

"That day of Pearl Harbor—Dec. 7, 1941 — contained the darkest hour in our Navy's history. Infamously attacked, seriously damaged, ships of our fleet were put out of commission, and more than 3,000 men were killed or wounded.

"In the months that followed—months without victories — our enemies taunted us with the question, 'Where is the United States Navy?'

"Today, those enemies know the beginning of the answer to that question. They learned in the Atlantic, they learned in the Coral Sea, they learned off Midway, they are learning now in their attempts to recapture that which was taken from them in the Solomon Islands.

"Where is the United States Navy?

"It is there where it has always been. It is in there fighting. It is carrying out the command to hit our enemy, and hit him again, wherever and whenever we find him.

"Battles cannot be fought and won without cost—and the cost may be heavy in ships and in men. The brave and skillful men and women of the Bureau of Medicine and Surgery are dedicated to the task of reducing the cost in men, saving lives on deck, in the engine room, in the gun turrets—alleviating suffering, restoring the wounded to their duties as fighters for the cause of freedom. In the sickbays of all the ships of our Navy, on all the seas, they are risking their own lives that other lives may be saved.

"Today, in the distant places, we are fighting battles the like of which have never before been known. In the southwest Pacific the ships and planes of our fleet and the long-range bombers of our Army are striking at the enemy from widely separated bases—and striking together. To carry such battles to successful conclusion men who fight on land and in the air must work in perfect unison with men who fight above the sea and on the sea and under the sea.

"Such warfare requires men of extraordinary physical alertness as well as exceptional daring. A split second lost in timing by one individual may cost innumerable lives. Therefore, it is not enough for the doctor to work out new methods of healing and cure. He must work out entirely new methods of preparing men for unprecedented combat conditions in submarines, planes and tanks.

"Without this work of conditioning, flesh and blood could not possibly meet the demands of this modern war. Men must be perfectly attuned in their bodies, as they are perfectly prepared in their minds and hearts, for the fierce test of battle.

"That remarkable progress has been achieved in this science can be attested by those of our enemies who have faced our men in battle. But this progress in prevention and cure must not be limited to the armed forces because of the simple fact that our whole population is involved in winning this total war.

"There are today far too many casualties among our civilian population. The number of fatalities from automobile accident last year was 40,000. How many of these deaths were preventable? The number of people injured in such accidents was almost 1,500,000.

"In industry last year the number of fatalities from accidents was 19,200. How many of these deaths were preventable? The number of people injured in such accidents was considerably in excess of 2,000,000, including over 100,000 permanent disabilities.

"Among those who have been killed or disabled were men and women who could have helped to build planes, tanks, ships and guns—who could have served in civilian defense or in many other essential services. As a result of industrial accidents alone, quite apart from those which were fatal, the time lost last year reaches the almost incredible total of 42,000,000 man days.

"It is not only our enemies who kill valuable Americans. Carelessness in driving on the highways or in the operation of machines in factories can cost us many lives needed by our country in using every resource most effectively.

"And we must remember that there is a national shortage of doctors and nurses. Every preventable civilian accident diverts sorely needed medical, surgical and nursing care from the imperative requirements of our Army and Navy. It is not going too far to say that any civilians in the United States who, through reckless driving or through failure to take proper safety measures in industrial plants, kill or maim their fellow citizens, are definitely doing injury to our sons and brothers who are fighting this war in uniform. And similar injury to our armed forces is done by pedestrians or workers who, through thoughtlessness and carelessness, put themselves in harm's way.

"Not all of us can participate in direct action against our enemies, but all of us can participate in the saving of our manpower.

"Three years ago tomorrow morning, on Sept. 1, 1939, Hitler's legions launched their first blitzkrieg against the people of Poland. In these three years men have died and nations have been tortured and enslaved, to satisfy the brutal lust for power of a few inhuman tyrants—German, Italian and Japanese.

"To the defeat of such tyrants—to the removal from this earth of the injustices and inequalities which create such tyrants and breed new wars—this nation is wholly dedicated.

"Let this hospital then stand, for all men to see throughout the years, as a monument to our determination to work and to fight until the time comes when the human race shall have that true health in body and mind and spirit which can be realized only in a climate of equity and faith."

Manufacturing Facilities More Effectively Employed Than Ever, Conference Board Finds

American industry is now employing its plant and facilities more effectively than in any pervious year—far more than in 1929—according to the Conference Board, New York.

In a survey made available Aug. 30 the Board finds that capital invested in manufacturing in the United States was 8% less in 1941 than in 1929, while manufacturing output in 1941 was 46% greater than in 1929 and averaged 65% more than in 1929 over the first six months of 1942. Similarly, the amount of net income produced in manufacturing per person employed averaged $2,120 in 1941, as against $1,970 in 1929. The lower figure for capital employed, and hence the improved ratios of output and earnings to capital invested, are in part the result of reduced valuations and prices, but the "dominant element," the Board finds, "appears to be improvements in capital facilities and in the accompanying techniques of production and management." The Board also says:

Net earnings from manufacture as a percentage of capital invested sharply reflects this favorable operational background. The rate of return for 1940 mounted to 7.19%, the highest level ever attained in the Conference Board's long-term series.

The previous peak for the 'Thirties was 5.69% in 1936, while in 1929 the rate was 6.43%.

The tentative estimate of earnings for 1941 further raises the rate of return to 8.25%, as earnings were increased more rapidly than investment, despite the unprecedented expansion of the latter item last year. Corporate manufacture on the average earned about $4 more in 1940 and $5 more in 1941 per $100 of capital invested than the average rate of earnings over the years 1925-1939.

In presenting its findings, the Board has the following to say:

"Full scale operations and the more effective employment of capital brought net earnings from manufacture at the end of 1940 back to the high level of the *'Twenties. Preliminary tax returns indicate that net earnings from factory operations totaled $3,600,000,000, an amount surpassed only in 1929. Thus, while the capital invested in corporate manufacture remained fully $10,000,000,000, or 17%, lower than in 1929, net earnings fell short of this previous high by $300,000,000, or only 7.6%.*

"The net return from manufacturing operations before Federal taxes was actually greater by $400,000,000 in 1940 than the comparable total for 1929. Over the years in question corporate income and excess profits taxes collected by the Federal Government were more than doubled. In 1940 direct Federal taxes levied on manufacturing corporations totaled $1,236,000,000, as against $544,000,000 in 1929, $652,000,000 in 1937, and $634,000,000 in 1939.

"Under the impetus of the record addition of new capital last year and the further economies of volume production, net earnings rose to an all-time high for the years covered. On the basis of past relationships between the performance of corporations for which published statements are available and all manufacturing corporations, the net return from manufacturers in 1941 is tentatively placed at slightly above $4,500,000,000. This represents an increase of 28% over the reported earnings for 1940.

"More effective use of the nation's accumulated manufacturing plant under conditions approaching full-scale operations is also apparent in the relationship between capital invested and wages paid. Every dollar of wages paid out in manufacturing last year required an investment of $4 on the average in the tools of production. When compared with the number employed in combination with the size of manufacturing payrolls these capital resources can be said to have been better used than in any previous year. In the late 'Twenties the comparable capital requirements per dollar of wages were about $6, or almost 50% higher, while in 1936-1937 they averaged about $5. After rising to $5.78 in 1938, the capital-wage ratio dropped to $5.24 in 1939, $4.79 in 1940, and $3.78 in 1941."

Advocates Stabilized Wages, Farm Ceilings

Price Administrator Leon Henderson on Aug. 20 called for a new "offensive" against inflation, saying that wage earners must be prepared to accept stabilization of wages and farmers must accept less for their products.

Speaking before a mass meeting of war workers at Norfolk, Va., Mr. Henderson pointed out that, despite general maximum price regulations, the cost of living has continued to rise "at the same rate as has prevailed over the past twelve months."

Mr. Henderson said that the commodities that are under price control have gone down somewhat, but it was so far merely "a ledger achievement," since it has been offset by "the rise on costs not controlled." Advices from Norfolk to the New York "Herald Tribune" further quoted Mr. Henderson as saying:

What must be done, and soon, Mr. Henderson said, is to put a ceiling on many farm prices. The farmer, he said, must take less from now on for many of his products.

"I do not feel that it is too much to ask," he said. "I do not feel that it is too much to suggest that no single group be exempt from the demands of war. Nor do I feel that I am being unfair to the farmer—or the wage earner—when I say that this war has so far not demanded from these groups what it will—and must—demand if we are to win this battle.

"Let us look, first, at the picture of farm income in this year of war. In 1942 farm income in America, it is estimated, will reach $15,100,000,000! That compared with $8,700,000,000, including government cash payments in 1939, represents an increase of nearly 75%! I do not mean to suggest that some of this increase has not been fair, much of it justifiable. I say to you in all seriousness, however, that if we are to win this fight against inflation, increases of that sort in the income of any one group must not continue! He must be prepared to enlist in the offensive which I am proposing.

"Let us now look at the picture of the workers' income. You will recall that at the time President Roosevelt launched his 7-point program to combat inflation, one important clause called for the stabilization of wages. Yet, what has happened? Wages and salaries paid out to American wage earners during 1942 will total an estimated $75,000,000,000! That, compared with $43,700,000,000 in 1939, also represents an increase of over 70%! Look at it another way: Average hourly earnings in manufacturing industries which stood at 63.5 cents an hour in August, 1939, by June of this year had reached 84.0. Weekly wage rates had risen from $24.52 in August, 1939, to $37.99 by June of this year.

"Let us look at it still another way: Wage increases during the last year have amounted to $1,200,000,000 a month.

"At the same time—and mark this well—the cost of living has not even begun to catch up. On weekly earnings in money the total gain for the American worker since August, 1939, has been 30%. In real weekly wages—that is, in the things which his money will actually buy — that increase has been 11%. Once more I do not mean to suggest that some of this increase has not been fair, much of it justifiable. My point is not to belabor increases that already have been made or to attack increases that are equitable.

"I say to you once again in all seriousness, however, that if we are to win this fight against inflation increases of that sort in the income of any one group must not continue!"

Tri-State Savs. Bank Life Ins. Conference

More widespread public appreciation of the anti-inflationary effects of life insurance, particularly on the part of war workers who are enjoying substantially increased earnings, together with a further extension of low cost life insurance under war conditions, will be the themes of the Tri-State Savings Bank Life Insurance Conference to be held Sept. 11-13 at New London, Conn. The Conference will convene the night of Sept. 11, at the Hotel Griswold, Eastern Point, Conn., and continue until the morning of Sept. 13.

Among the speakers, presiding officers and guests of the Association will be:

Gov. Robert A. Hurley, of Connecticut;

Senator Michael V. Blansfield, President of the Connecticut Savings Bank Life Insurance Fund;

John C. Blackall, Commissioner of Insurance of the State of Connecticut;

Granville H. Beever, President of the Massachusetts Savings Bank Life Insurance Council;

Judge Edward A. Richards, President of the Savings Bank Life Insurance Fund of New York;

Charles Diehl, President of the Savings Bank Life Insurance Council of New York;

Robert F. Nutting and Clarence B. Plantz, members of the Committee on Life Insurance of the National Savings Banks Association, and

Leigh Danenberg and George Woods, Trustees of the Connecticut Savings Bank Life Insurance Fund, and

Charles Whitehead of the Boston Five Cents Savings Bank.

In connection with the conference, it is announced that the Savings Banks Life Insurance systems of Massachusetts, New York and Connecticut now have a total of $250,000,000 of life insurance in force, most of which has been issued in small amounts on the lives of persons of moderate income.

Mrs. Herrick Leaves NLRB To Join Shipyard Company

Mrs. Elinore M. Herrick, New York regional director of the National Labor Relations Board, has tendered her resignation, effective Sept. 15, in order to become director of personnel and labor relations for the Todd Shipyards Corporation.

Mrs. Herrick has been with the NLRB and its predecessor for nine years.

In a letter to Harry A. Mills, Chairman of the NLRB, Mrs. Herrick said she was resigning "with regret" but pointed out that her "new work is an opportunity and a challenge to do another kind of pioneering job in a vital war production industry."

"It will be a privilege," she added, "to work with a company which recognizes the importance of good labor standards as basic to high efficiency, and which is willing to face the important changes entailed by the need to upgrade men to more skilled jobs and to recruit and train women to replace men who are drafted."

NYSE Analysis Of Income, Outgo And Balance Remaining Reveals Natural Brake On Inflation

In an analysis of 1942's estimated income, outgo and balance remaining for savings, presented in the August issue of "The Exchange" magazine, published by the New York Stock Exchange, it is suggested "that less of a threat to the goods price structure is supplied by the people's wartime income than many believe to be the case."

Based on calculations drawn from Department of Commerce estimates, the "Exchange" studies indicate that the disposable income for 1942 will be $110,000,000,000, of which $84,800,000,000 will be the outlay for goods and services, leaving an estimated balance for savings of $25,200,000,000. The traceable savings are estimated at $20,960,000,000, consisting of the following:

War Bond subscriptions	$10,000,000,000
Liquidation of installment sales accounts	3,000,000,000
Life insurance premiums	4,200,000,000
Individual bank deposits	3,500,000,000
Farm mortgage debt retired	140,000,000
HOLC debt retired	120,000,000

Reporting a balance of $4,240,000,000 after traceable estimated earnings, the article in the Exchange Magazine says:

A sum greater than the $4,240,000,000 "floating" balance above was invested in new corporate securities in several years of the 1920's. It is possible that an additional $2,000,000,000, or thereabouts, of War Bonds may be added to the tabulated $10,000,000,000.

A considerable part of the $4,240,000,000 is being invested in new and older corporate securities this year. And there are items of considerable size, although difficult to trace in reliable statistics, which should be considered in connection with the tabled accounts . . . items coming definitely under the heading of thrift and savings.

From the article we also quote:

Besides the obvious constructive results of thrift which the figures of this article help visualize, the implication of personal debt payments toward future war financing and general investment is significant. From the proceeds of this year's disposable income, the reduction, or elimination of debt is going to make the situation of hundreds of thousands of citizens more comfortable than it has been for years past.

The payment of personal debt works two ways in strengthening the investment resources of the nation: the former debtors will be in better position to buy Government bonds and pay taxes, so long as high rates of income prevail, and lending institutions will be made more liquid and better able to support the war effort financially.

The broad indications of debt liquidation evidently carry an implication, too, to the securities industry as vested in the purchase and sale of corporate issues. Viewing the scope of personal debt which past difficult years acted to create, it is conceivable that dull securities markets have, in part, reflected it. While it has been a pat phrase all along that "the country is full of investment money," the thought behind it has been refuted by the balance sheets of a host of people who formerly had surplus capital or income with which to buy securities. They have been too much preoccupied with outstanding loans to devote attention to stocks and bonds.

With the debt account growing easier, the securities industry may find a more receptive field, first for its efforts in aiding Government financing of the war, and then for the furtherance of its normal activities.

Wage Earners, Farmers Taking War "Profits"

Wage earners and salaried employees and farmers are getting most of the profits out of war, according to the National Association of Manufacturers. Profits of corporations, largely because of greatly increased taxes, have "tobogganed" since 1941 and they are likely to drop still further in 1942. A chart, prepared by the NAM, reveals a clearly defined trend even though the figures for 1942 are estimates, as are some of the figures for 1941. These estimates, however, are based on official figures.

The NAM further reports:

"Wages and salaries are now 72% higher than they were in 1939, based on national income figures of the U. S. Department of Commerce.

"Gross farm income is 51% higher this year than it was in 1939, due largely to the high prices farmers are getting for their products.

"The 'profit toboggan' is due to the increased taxes called for in the bill now pending before the Congress. In spite of the increase in gross profits, the net profits, after taxes, will decline from $6,250,000,000 in 1941 to an estimated $4,590,000,000 in 1942—a decrease of 26%. These estimates, of course, are based on the assumption that the present tax bill will pass the Congress with little modification."

Home Loan Members Up

The 74 Federal savings and loan associations in the Second Federal Home Loan Bank District report assets totaling $217,025,457 as of June 30, 1942, according to an announcement made by Nugent Fallon, President of the Federal Home Loan Bank of New York. This represents an increase of $3,457,411 during the six months' period since Dec. 31, 1941.

A year ago at June 30, 1941 there were 71 Federal savings and loan associations in New Jersey and New York with assets totaling $199,036,220. Thus, since that date the number of associations operating under Federal charter in this District has grown by 3 and assets have increased by $18,,989,237.

Of these 74 Federal savings and loan associations, 9 with assets totaling $10,090,648 are located in New Jersey while 65 with assets totaling $206,934,809 are located in the State of New York.

Labor Arbitration in War Booklet Available

The American Arbitration Association announced on Aug. 31 that, as a public service, it has made its recently published booklet entitled "Labor Arbitration in Wartime" available without cost to corporations, unions, and attorneys. Union executives, corporation officers interested in labor relations, and attorneys may obtain copies at the organization's administrative offices, 9 Rockefeller Plaza, New York City.

Included in the publication is a series of seven labor arbitration clauses which are recommended to parties to labor agreements, these having been prepared after consultation with a group of Impartial Chairmen serving more than 20 of the largest industries. Also included are summaries of approximately 200 typical grievances that have been submitted to arbitration.

More Buy War Bonds On Payroll Plans

Two million more workers in American organizations pledged part of their pay for the purchase of War Savings Bonds during July, bringing the total of participants in payroll savings plans up to 18,000,000, the War Savings Staff of the Treasury Department reports.

During the month these workers set aside almost $200,000,000 for war bond buying, as compared with deductions for payroll savings in June of approximately $150,000,000, the announcement said, adding:

"The increase in the aggregate amount of deductions is due not only to the gain in the number of workers signing up for payroll savings, but also to the larger proportion of earnings being devoted to this purpose. Aggregate deductions authorized have moved up steadily month by month from 4.1% of total earnings in December, 1941, to 6.0% in July, 1942.

"Nearly 14,000 additional private firms installed payroll savings plans during the month, continuing the steady gain in the number of participating organizations. This means that in approximately 122,000 firms a total of 22,000,000 workers had been given an opportunity to invest regularly in War Savings Bonds through payroll savings plans, and 75% of this number had already signed up.

"Including Government agencies, Federal, State and local, in these figures, payroll savings plans have now been installed in organizations which employ nearly 25,000,000 people, and 73% of these workers are participating."

July War Production Up 16% Nelson Repts.

Munitions production increased 16% last month, continuing recent months' expansion in the output of planes, guns, tanks, ships and other war equipment, Donald M. Nelson, Chairman of the War Production Board, announced on Aug. 22 in his second war production report.

It was explained in a statement issued through the Office of War Information that although progress was uneven, and efforts are being directed toward bringing about balance between production items, the WPB index of munitions production advanced in July to 350 (preliminary)—three-and-a-half times as great as in November, 1941, the month before Pearl Harbor, upon which the index is based. The June index (revised) was 303. The statement likewise said:

But July output was 7% short of the production forecasts made on the first of the month. It was, nevertheless, an improvement over June performance, indicating that progress is being made in working up toward scheduled objectives.

In brief, the score on war production for July (measured by the index) was as follows:

Aircraft production: Up 11% over June.

Ordnance production: Up 26% over June.

Naval ship production: Up 22% over June.

Merchant ship tonnage: Up 6% over June.

"The big job ahead of us right now," said Mr. Nelson, "is to bring our program into balance and make sure that we use our materials and facilities as wisely as possible. This is one of the principal tasks on which the WPB is engaged. We must make sure that we produce promptly those most important fighting weapons the services must have; in addition, we must speed up the slow items and slow down some of the fast ones so that the unbalance which now marks part of the program is brought into adjustment.

"This means that we must redouble our efforts, particularly on the low spots, if we are to make our goals by the year's end, and the recent realignment of WPB, plus the further development of scheduling and use of the production requirements plan—now our basic device for controlling industrial operations—are all designed to help us do this job.

"The War Department, Navy Department and Maritime Commission thus far have scheduled production semi-independently. This has resulted in some scheduling ahead of overall productive capacity. Forecasts of production have been increased several times. Now, since it will be a difficult task to meet all schedules, it is more than ever necessary to reconcile our needs with our resources, necessitating the adjustment of schedules, reducing some, and, perhaps, increasing others.

"Continuing month-to-month increases in munitions production, despite difficulties in the supply of some raw materials and semi-finished products, reflect the determination of the American people to overcome all obstacles. Available statistics show that plant shutdowns and stoppages so far are only sporadic, not general. Any inference that the war efforts as a whole is slowing down is unwarranted, although difficulties in maintaining such large monthly increases will become greater as we approach maximum output. This will mean increased planning, increased effort, and firm use of the production controls and materials controls that have been developed.

"Study of the results reveals that production is uneven in relation to schedules. In some cases July production outstripped the forecasts; in others the forcecasts were not approached. Even within certain categories, such as ordnance, we find unequal progress as between various types of equipment. Particularly is it important to keep the production of finished weapons and their component parts in step.

"Analysis of these factors suggests that the war production effort has entered a new phase—one in which more careful balancing of requirements will become increasingly important. For a long-range solution there must be a close, effective control of the flow of materials and a comprehensive system of production control, to make certain that the right materials get to the right places at the right time.

Taken item by item, the July picture of war production follows:

Aircraft

Aircraft production increased in July 11% over June output. Although combat-plane production rose 6%, it was not up to expectations.

For the next few months aircraft production is not expected to reach the production planned earlier in the year, due in part to the difficulty of balancing so vast a program. Vigorous efforts are being made to improve this condition, and production in the later part of the year is expected to show a marked increase.

Ordnance

Overall ordnance production in July increased 26% over June output and was very close to schedules.

Production of medium tanks (measured numerically) was 35% greater than in the previous month and considerably ahead of schedules.

Light tanks showed a somewhat smaller percentage of gain—15%—but also were ahead of schedules.

The production of anti-aircraft guns leaped upward, one class of guns showing a gain of 64% in production, while output of another class shot upward 50%—both of them exceeding schedules by a wide margin.

The production of ammunition and explosives also was in excess of goals set at the beginning of the month, with exceptions in a few classifications.

The record on heavy artillery was mixed, some classes of these weapons showing much better gains than others. Some types expected to come into production

Merchant Ships

The Maritime Commission reported the delivery during July of merchant vessels weighing 791,667 deadweight tons, compared with vessels of 747,900 deadweight tons in June—an increase of almost 6%, and nearly on schedule for the month.

Navy Vessels

A gain of about 22% in construction of naval vessels was made in July—overall production being nearly one-fourth greater than in June.

Deliveries of major combat vessels were ahead of those in June and considerably ahead of forecasts. Marked progress over June production of minor naval vessels was reported, although output was materially behind expectations.

OPA Places Ban On Rental Of New Typewriters

The Office of Price Administration announced on Aug. 25 a ban on the rental of new typewriters and used non-portable machines manufactured since Jan. 1, 1935, and ordered the return by Sept. 15 of typewriters manufactured subsequent to that date which are now on loan.

The purpose of the order, Price Administrator Henderson explained, is to make available more machines for purchase by the procurement division of the Treasury for Army, Navy and Government use. The rental ban on new machines and the recall of recently manufactured typewriters does not affect persons eligible to purchase machines under existing regulations.

Mr. Henderson is quoted as saying:

"The drive recently launched by the War Production Board for 500,000 machines for the Army and Navy has not turned up a sufficient number. The need is critical. Both the Army and the Navy have co-operated in reducing the number of machines required for each of their units, and Federal agencies have agreed to pare down their requests wherever it is possible. Even so, there just aren't enough typewriters in sight to go around."

July Building Permit Valuations Down 51%

July building permit valuations were 51% lower than during the corresponding month of 1941, Secretary of Labor Frances Perkins reported on Aug. 28. "This is the fifth consecutive month in which construction volume has been lower than in the corresponding month of the preceding year," she said. The most pronounced decline, 69%, was in the value of new residential buildings. New non-residential buildings decreased 25%, while additions, alterations, and repairs to existing structures were 41% lower than during July, 1941. Miss Perkins added:

"Permit valuations for July decreased 9%, as compared with June, all classes of construction being lower during July than during the preceding month. The decrease for new residential buildings amounted to 12%, for new non-residential 7%, and for additions, alterations, and repairs 10%.

"During the first seven months of 1942, permits were issued in reporting cities for buildings valued at $1,282,579,000, a decrease of 27%, as compared with the corresponding period of 1941. Permit valuations for new residential buildings for the first seven months of the current year amounted to $563,656,000, a loss of 37%, as compared with the first seven months of the preceding year. Over the same period new non-residential buildings showed a decrease of 14%, and additions, alterations and repairs a decline of 24%."

From the Labor Department's announcement we also quote:

Tabulations of the Bureau of Labor Statistics include contracts awarded by Federal and State Governments in addition to private and municipal construction. For July 1942, Federal and State construction in the 2,409 reporting cities totaled $42,326,000; for June 1942, $51,086,000, and for July 1941, $49,521,000.

Changes in permit valuations in the 2,409 reporting cities between July 1942, June 1942, and July 1941, are summarized below:

Class of Construction—	Change from July, 1941, to July, 1942	
	All Cities	Excluding N. Y. City
New residential	—68.9%	—69.2%
New non-residential	—24.7%	—22.6%
Additions, alterations, and repairs	—40.7%	—38.0%
All construction	—50.6%	—49.9%

Class of Construction—	Change from June, 1942, to July, 1942	
	All Cities	Excluding N. Y. City
New residential	—11.6%	—16.8%
New non-residential	— 7.1%	— 7.7%
Additions, alterations, and repairs	—10.2%	— 7.4%
All construction	— 9.1%	—10.9%

Comparisons of permit valuations in cities reporting for the first seven months of 1941 and 1942 are shown in the following table:

Class of Construction—	Change from First 7 Months of 1941 to First 7 Months of 1942	
	All Cities	Excluding N. Y. City
New residential	—37.3%	—34.4%
New non-residential	—14.1%	— 9.7%
Additions, alterations, and repairs	—24.2%	—21.2%
All construction	—27.2%	—23.9%

In the 2,409 reporting cities permits were issued in July 1942 for new housekeeping dwellings which will provide 14,164 dwelling units, or 12% fewer than the 16,016 dwelling units provided in the previous month, and 63% less than the number provided in July 1941. Dwelling units in publicly financed housing projects included in these totals numbered 1,884 in July 1942, 4,623 in June 1942, and 3,202 in July 1941.

Principal centers of various types of building construction for which permits were issued or contracts were awarded in July 1942, except those awarded by the War and Navy Departments, Maritime Commission, and the Defense Plant Corporation which have been excluded because of their confidential nature, were: East Paterson, N. J., factory to cost $400,000; Niagara Falls, N. Y., 1-family dwellings to cost $332,000; Philadelphia, Pa., 1-family dwellings to cost $1,364,000 and factories to cost $2,949,000; Upper Darby Township, Pa., 1- and 2-family dwellings to cost $329,000; Chicago, Ill., 1-family dwellings to cost $662,000, multi-family dwellings to cost $317,000, factories to cost $1,225,000, and public utilities to cost $593,000; Rockford, Ill., factories to cost $327,000; East Chicago, Ind., factory to cost $856,000; Dearborn, Mich., 1-family dwellings to cost $336,000; Detroit, Mich., 1-family dwellings to cost $1,997,000 and 2-family dwellings to cost $516,000; Akron, Ohio, factories to cost $4,503,000; Cincinnati, Ohio, factories to cost $368,000; Cleveland, Ohio, 1-family dwellings to cost $329,000; Columbus, Ohio, 1-family dwellings to cost $445,000; Euclid, Ohio, factories to cost $980,000; Milwaukee, Wis., 1-family dwellings to cost $477,000; Washington, D. C., multi-family dwellings to cost $1,051,000, and temporary office building to cost $860,000; Baltimore, Md., 1- and 2-family dwellings to cost $458,000, and factories to cost $363,000; Alexandria, Va., multi-family dwellings to cost $3,352,000; Arlington County, Va., multi-family dwellings to cost $2,413,000; Huntsville, Ala., 1-family dwellings to cost $387,000; Tulsa, Okla., 1-family dwellings to cost $451,000; Chula Vista, Calif., factories to cost $461,000; Long Beach, Calif., 1-family dwellings to cost $922,000; Los Angeles, Calif., 1-family dwellings to cost $656,000, hotels to cost $500,000, factories to cost $2,781,000, and miscellaneous buildings to cost $824,000; San Leandro, Calif., 1-family dwellings to cost $462,000; San Francisco, Calif., multi-family dwellings to cost $536,000; South Gate, Calif., 1-family dwellings to cost $325,000, and Spokane, Wash., institutional buildings to cost $1,800,000.

Contracts were awarded during July for the following publicly financed housing projects containing the indicated number of dwelling units: New Britain, Conn., $741,000 for 250 demountable units; South Portland, Maine, $1,628,000 for 500 units; New York City, Borough of Manhattan, $3,128,000 for 960 units; Greenville, S. C., $328,000 for 88 units; Anniston, Ala., $241,000 for 84 units, and San Diego, Calif., $7,000 for 2 units.

War Industry Strikes Decreased During July

Man-days lost from war production by strikes in July dropped to 8/100 of 1% of total man-days worked from 9/100 of 1% in June, the National War Labor Board announced on Aug. 19. The announcement also added:

The number of man-days lost fell approximately 8% from 254,653 in June to 233,614 in July. At the same time, the number of man-days worked rose from approximately 275,000,000 in June to 308,000,000 in July.

The strike statistics were gathered by an interdepartmental committee on war strike statistics consisting of representatives of the War, Navy and Labor Departments, the War Production Board, the Maritime Commission and the War Labor Board. The term "strike" is used to include all stoppages of work due to labor disputes whether strikes or lockouts.

The following table gives a detailed picture of the strike situation as it affected war production during July, compared with June of this year:

	July, 1942	June, 1942
Man-days lost	233,614	254,653
Man-days worked (estimated)	308,000,000	275,000,000
Percentage — Time lost to time worked	8/100 of 1%	9/100 of 1%
Number of Strikes:		
In progress in month	222	192
Beginning in month	198	171
Number of Men Involved:		
Strikes in progress	80,722	84,775
Strikes beginning	74,812	78,627

Cotton Spinning Industry For July, 1942

The Bureau of the Census announced on Aug. 20 that according to preliminary figures, 23,967,762 cotton spinning spindles were in place in the United States on July 31, 1942, of which 23,111,848 were operated at some time during the month, compared with 23,090,560 for June, 23,120,666 for May, 23,100,202 for April, 23,096,479 for March, 23,077,722 for February, and 23,028,082 for July 1941. The aggregate number of active spindle hours reported for the month was 11,484,372,745. Based on an activity of 80 hours per week, the cotton spindles in the United States were operated during July 1942 at 130.2% capacity. This percentage compares, on the same basis, with 133.2 for June, 138.4 for May, 135.3 for April, 134.3 for March, 135.9 for February, and 123.0 for July 1941. The average number of active spindle hours per spindle in place for the month was 479.

Chicago Reserve Bank Promotes Employees

C. S. Young, President of the Federal Reserve Bank of Chicago, announced on Aug. 24 the election of John K. Langum as Assistant Vice-President, and I. J. Petersen and W. W. Turner as Assistant Cashiers. Mr. Langum joined the staff of the Federal Reserve Bank on July 1, 1941, as Assistant Manager of the Research and Statistics Department and was appointed Manager of that department March 9, 1942. Prior to becoming associated with the Federal Reserve Bank, Mr. Langum was lecturer in Economics at the University of California. Before assuming that position in 1940, he was a member of the faculty of the School of Business Administration at the University of Minnesota, which position he held for five years. As Assistant Vice President Mr. Langum will direct the research activities of the Bank for the Chicago Federal Reserve District.

Mr. Turner was employed in 1918 and served in various departments of the bank. He was appointed to his first official position in 1931, as Manager of Loans. As Assistant Cashier he will be assistant to A. T. Sihler, Vice President who is in charge of fiscal agency functions.

Treasury Objections To Pay-As-You-Go Tax Plan

With respect to the so-called Ruml "pay-as-you-go" income tax plan, which has figured in the study of the pending tax bill, a statement was made by Randolph E. Paul, on Aug. 24, in which he indicated that the Treasury Department is opposed to the Ruml plan unless revised in certain respects. Brief reference with regard to the Treasury's views, as outlined by Mr. Paul, was made *in these columns Aug. 27, pages 722 and 726.* Mr. Paul, is General Counsel of the Treasury Department, while Bearsley Ruml is Chairman of the Federal Reserve Bank of New York and Treasurer of R. H. Macy & Co. In his statement of Aug. 24, Mr. Paul called attention to the fact that Mr. Ruml in a press release Aug. 23 criticized the Treasury's objections to his (Mr. Ruml's) original pay-as-you-go tax plan, directing his comments principally at two points, viz:

(1) The Treasury's statement that the plan would be unacceptable without collection at the source and (2) the modified method of tax cancellation suggested by the Treasury.

Mr. Paul went on to say that Mr. Ruml's statement reveals a serious misunderstanding of the Treasury's position. Before proceeding with any changes in the income tax so revolutionary as that suggested by Mr. Ruml, said Mr. Paul, it is essential that this misunderstanding be cleared up; and that the basic issues be clearly understood. Continuing Mr. Paul had the following to say:

The basic objective of the "pay-as-you-go" plan proposed by Mr. Ruml is to get taxpayers on a current basis. This objective has deservedly met widespread public approval. The present method of collecting income taxes is poorly suited to a mass tax at high rates. The amounts individuals pay in any year depend not at all on their income in that year, but rather on the income of the preceding year. The taxpayer is always in the process of catching up with himself and never succeeding.

The Ruml plan as originally proposed fails, however, to accomplish its objectives. A change in names does not change facts. Under the Ruml plan, the amount paid in 1943 would be called a "tentative tax on 1943 income." But it would be computed by assuming that 1943 income would be the same as 1942 income. Calling the amount paid in 1943 a "tentative tax on 1943 income" does not make it a tax on 1943 income if, as in the original Ruml plan, the amount paid is computed as it now is on the basis of 1942 income.

In many cases the problem is made even worse than it now is, since under the Ruml plan a taxpayer will have to settle in the following year for any difference between his "tentative" tax and his actual tax. Mr. Jones, let us say, is married with no dependents and has an income of $3,000 in 1941 and 1942, $10,000 in 1943, and $3,000 in 1944. His tax liabilities at the new rates passed by the House are $324 on $3,000 of income and $2,152 on $10,000 of income. How much will Mr. Jones have to pay under the original Ruml plan?

1943: Income	$10,000
Tax payments:	
Tentative tax on 1943 income computed on the basis of a 1942 income of $3,000	324
Adjustment for difference between tentative tax paid in 1942 and actual tax on 1942 income	0
Total payments	324
1944: Income	3,000
Tax payments:	
Tentative tax on 1944 income computed on the basis of a 1943 income of $10,000	2,152
Adjustment for the difference between tentative tax paid in 1943 and actual tax on 1943 income ($2,152—$324)	1,828
Total	$3,980

In 1943, Mr. Jones pays only $324 out of a $10,000 income—the same amount he would pay under existing methods of income tax payment. In 1944, Mr. Jones must pay almost $4,000 out of a $3,000 income. He has a high tentative tax because his income was high in the preceding year. In addition he has a big adjustment to pay because his income was low two years ago. This is current tax payment in name only. True, Mr. Jones will in 1945 receive credit for his overpayment in 1944. But *in 1944 he must finance this extra payment out of his reduced income.*

It is no answer to this example to say that most taxpayers do not experience such wild fluctuations in income. It is precisely such fluctuations that make current tax payment necessary and that the Ruml plan is designed to cure. If everybody's income stayed the same year after year, the present method of tax collection would do well enough. There would be no need of the Ruml plan or any other plan for current payment.

The best way to cure this defect in the Ruml plan is to couple the Ruml plan with collection at the source. Collecting as much of the tax as possible from income as it is earned is truly "pay-as-you-go."

Collection-at-source is a practicable way by which the tax paid in any year can be computed and paid on the basis of actual income received in that year. It is "current" collection in fact as well as in name. It is for this reason that the Treasury finds the Ruml plan completely unacceptable unless it is linked with collection-at-source at the combined normal and first bracket surtax rate.

Collection-at-the-source is essential not only to serve the convenience of the taxpayer but also to make the income tax a flexible instrument to meet war-time final needs. Under the original Ruml plan as now, a change in tax rates would not affect tax collections until the following calendar year. With collection-at-the-source, a change in tax rates can be effective almost immediately. Under the original Ruml plan as now, a change in national income will not affect tax collections until the following calendar year. With collection-at-the-source, it will affect tax collections immediately.

The other major defect in the original Ruml plan is the clear and striking injustice of cancelling all 1941 liabilities. Mr. Ruml would do this in order that tax payments made in 1942 could be treated as a tentative tax on 1942 income. Once again the objective, namely to bring all taxpayers current immediately is admirable. But the results are not. Many an individual had a higher income in 1941 than in most other years of his life. Cancelling his 1941 liabilities would be a pure windfall, a windfall that would have to be made up by other taxpayers who had not been so fortunate. The man who in 1941 received $500,000 would have a tax liability of almost $350,000 cancelled, although his income in 1942 and later years may be much lower and although the $500,000 may be traceable directly to the war program.

Moreover, such a taxpayer is unlikely to need the cancellation in order to wipe out his debt to the Government. Few men who have such an income are so improvident as to make no provision for the tax as the income is received; or are so unfortunate as to have no substantial amount of capital with which to wipe out the debt.

To meet this obvious defect the Treasury has suggested that the Ruml plan would be greatly improved if only part of tax liabilities be cancelled, and that, for simplicity, the cancellation refer to 1942 liabilities.

The part to be cancelled would be the entire normal tax—or 4% at existing rates—plus the first bracket rate of the surtax—or 6% at existing rates. The cancellation would not, as Mr. Ruml erroneously stated, apply only to the first $2,000 of net taxable income. It would apply to the entire net taxable income but at only the first bracket rate. For example, a married person with no dependents with $500,000 income in 1942 would (ignoring, for simplicity the earned income credit) have a net taxable income of $498,500 under existing exemptions. The amount cancelled would be 10% of this or $49,850 out of a total tax at existing rates of $345,350.

A man with $10,000 income would have a net taxable income of $8,500. Again ignoring the earned income credit he would have $850 cancelled out of a total liability of $1,305, leaving about $450 to be paid during the next two years.

The Treasury's suggestion applies equally to all taxpayers; but it does not permit high income taxpayers to cancel their liabilities under higher surtax rates. As noted above, persons subject to these higher rates are most likely to make advance provisions for taxes, and hence do not need to have all their liabilities cancelled.

This statement does not imply Treasury approval of the Ruml plan. Its purpose is rather to clarify the considerations that must be taken into account in judging the plan, and to indicate the modifications that should be made in it if the Senate Finance Committee should deem it an appropriate part of the 1942 tax bill.

Money In Circulation

The Treasury Department in Washington has issued the customary monthly statement showing the amount of money in circulation after deducting the moneys held in the United States Treasury and by Federal Reserve banks and agents. The figures this time are for July 31, 1942, and show that the money in circulation at that date (including, of course, that held in bank vaults of member banks of the Federal Reserve System) was $12,739,478,258, as against $12,382,866,206 on June 30, 1942, and $9,732,083,411 on July 31, 1941, and comparing with $5,698,214,612 on Oct. 31, 1920. Just before the outbreak of the World War, that is, on June 30, 1914, the total was only $3,459,434,174.

Curbs Army & Navy Power Over Priorities

Donald M. Nelson, Chairman of the War Production Board, on Aug. 27 removed from the Army and Navy field officers the right to grant priority ratings. Authority to assign preference ratings to individual Army and Navy contracts will be exercised after Sept. 7 by WPB priority specialists instead of by the procurement and contracting officers of the armed services.

Mr. Nelson said the new system is a step toward much stricter checks on the flow of critical materials to guarantee the most efficient possible use of "every ounce of scarce material and every critical sub-assembly."

This step, it is stated, is in line with Mr. Nelson's recently announced "get-tough" policy on war production.

The move was announced in letters to Under-Secretary of War Robert P. Patterson, Under-Secretary of the Navy James V. Forrestal and Ferdinand Eberstadt, Chairman of the Army and Navy Munitions Board.

In order to exercise tighter control over the assignment of preference ratings and to separate that function from the job of expediting particular parts of the war program," WPB will send its own priority specialists to district offices. Associated Press accounts from Washington Aug. 27 said:

At present all Army and Navy procurement officers and inspectors who have authority to sign contracts have power also to assign automatic priority ratings for the necessary materials, even down to 10 pounds of nails. Hereafter, the inspectors and procurement officers, upon concluding a contract, will have to apply to an authorized WPB official, who will issue the priority rating. Thus the WPB will have a constant check on the outflow of materials.

Patent Laws Would Kill Invention Incentive

According to the National Association of Manufacturers, "patent legislation which would largely destroy the incentive to invention and development of new industries is being advanced on the erroneous belief that valuable new ideas are 'put on the shelf.'" This is indicated in "Patents and Invention," a booklet of questions and answers on patents, the war and industrial progress made available by the Association on Aug. 26. In its announcement regarding the conclusions reached, the Association says:

"In 1939 the National Industrial Conference Board was engaged by the NAM to determine whether there were any suppressed inventions. It reached hundreds of inventors, engineers, and others who would be most likely to know of such cases. It could find no instance of a suppressed useful invention—one that had been 'put on the shelf' wilfully to prevent it from being developed.

"Many inventions may be unused because there is no immediate market for them. Edison's electric lamp had to await the development of economical methods of generating current. The Wright Brothers' invention of warped wings, which enabled early airplanes to fly, was of little value until a motor was developed that would provide dependable power for flying.

"Many times the purpose of a new invention is better accomplished by something already on the market. There are dozens of unused patents on impracticable lawn mowers, for instance. If machines were made according to their specifications they would be inferior to the lawn mowers we already have. Many novel inventions, such as a mechanical hat tipping device, are patented without serious intention to develop them commercially.

"Often a scientist or inventor who devotes years to the solution of a problem will work at the same time on two or more ways of solving it, not knowing which wil eventually prove most practical. He obtains patents on all of the solutions he finds. When he is ready for commercial development he uses what then appears to be the best of the solutions. The patents on the alternative methods may be unused. The inventor is entitled to patents on these alternative inventions although he does not use them, because they are his developments and no one else should be permitted to pirate them for unfair competition.

"In a recent study of 710 inventors, lack of financial support was found to be the inventor's greatest obstacle. In this fact lies another important reason why some patents are unused. It is estimated that it cost $200,000 to make the tools and machinery necessary to put a typewriter on the market at a salable price. Charles F. Kettering, one of America's outstanding inventors, has said that more than $1,000,000 was invested in research and development work preparatory to putting Diesel locomotives into practical use. The experience is not uncommon."

Illinois Industrial Employment Rises

Reports from a sample group of 6,505 Illinois industrial establishments indicated that employment increased 0.8% and payrolls 0.7% between June and July, according to a statement issued Aug. 24 by Francis B. Murphy, Director of the Illinois Department of Labor. The advices state:

The increase in employment occurred mainly in the metals and machinery, transportation equipment, leather and allied products, paper goods and printing, and food products manufacturing groups, and in building construction.

The reporting establishments employed a total of 818,566 persons in July, or approximately one-third of the total non-agricultural employees in the State. Since this sample group of reporting establishments is weighted heavily with manufacturing industries, the "all reporting industries" changes are not entirely representative of the employment trends for all lines of industrial activity within the State.

Sees Furniture Sale Drop

Sales of furniture stores next year cannot be expected to equal more than 50% of 1941 volume, John R. Trost, manager of the New York office of the National Retail Furniture Association, told Westchester furniture merchants at Bronxville, N. Y., on Aug. 25. By the end of 1943, he said, at least one out of every four, or about 5,000 furniture stores, will be out of business. This is learned from Bronxville advices to the New York "Times" which added;

Basing his prediction primarily upon merchandise limitations, Mr. Trost said other factors included higher taxes, purchasing of war bonds, plus the general uncertainty in the mind of the public.

"Whether a furniture merchant will be able to remain in business will depend on his capital structure, his ingenuity and aggressiveness and his wholehearted desire to exist.

"Retailers generally can and will survive, at least temporarily, as they did in 1935, when furniture store sales were only 46% of the 1929 level. Such a volume shrinkage, however, involves a tremendous operating loss which only those merchants with a sound capital structure can withstand."

Canada Crop Condition Continues Favorable

In its Aug. 27 report on the condition of Canadian crops, the Bank of Montreal says that with harvesting well under way, prospects continue favorable in all provinces of the Dominion for above-average crops of the main staples. The Bank further reports:

"In the Prairie Provinces, generally fair weather, except in some sections of Alberta, has stimulated ripening of crops and enabled operations to proceed uninterrupted. Harvesting of rye and barley is general. A considerable amount of wheat has been cut in Manitoba and in some southern sections of the other provinces, but elsewhere operations will not be in full swing until about Sept. 1. High yields are expected except in the Peace River country, where below-normal returns are reported. Sawfly damage is reported in western Saskatchewan, and damage to flax from rust will be considerable in some localities. In Quebec Province, conditions have been generally favorable and while harvesting has been retarded by rain, crops continue to make good progress and yields are satisfactory. Moisture appears ample. A better-than-average crop of hay has been stored. In Ontario, threshing of fall wheat is practically completed, with the yield well above average and the quality good. Harvesting of spring grains is well advanced and satisfactory returns are in prospect. Corn, sugar beets and other roots are making rapid progress under favorable weather conditions. Harvesting of tobacco is general, with a slightly less-than-average crop anticipated. In the Maritime Provinces, recent rains have proved beneficial and growing conditions generally are satisfactory. The outlook for an above-the-average harvest continues promising, although more moisture is needed in most districts. In British Columbia, good grain and fodder crops are being harvested under ideal weather conditions, and the prospects for tree fruits remain favorable."

U. S. Raises Ceiling On Mexican Imported Silver

United States and Mexico have agreed in principle to an increase effective Aug. 31 in the price at which silver may be imported into the United States from 35⅜ cents an ounce to 45 cents an ounce, f.o.b. New York or San Francisco, the State Department and the Office of Price Administration announced on Aug. 24.

It was said that the move apparently is designed to encourage Mexican silver mining and thus increase the supplies of foreign silver available for American industrial users, who have largely been precluded from obtaining silver in competition with the statutory price of 71.11 cents an ounce paid by the Treasury.

Mexico, it is pointed out, is the largest exporter of silver to the United States, with lesser amounts coming from Canada, Peru and Chile.

FIC Banks Place Debs.

The Federal Intermediate Credit Banks on Aug. 18 made a successful placement of $27,925.000 debentures through Charles R. Dunn, New York, fiscal agent for the banks. The debentures were sold at par. Of the total, $22.725.000, dated Sept. 1, 1942, and due July 1, 1943, carries a coupon rate of 0.90% and a special offering of $5,200,000 dated Sept. 1, 1942, and due Dec. 1, 1942, bears a coupon rate of 0.50%. The proceeds of the sale together with $6.220.000 cash will be used to pay off $34,145.000 of debentures due Dec. 1 next. At the close of business Sept. 1, 1942 the banks will have outstanding $297,825,000 debentures.

OPA Adjusts Retail Sugar Price In East

Price Administrator Leon Henderson established on Aug. 25 a new alternative maximum price of 6½ cents a pound for refined sugar sold at retail in 10 North Atlantic seaboard States. Retailers in this area may use the new 6½-cent price, or their March ceiling under which they have been operating previously, whichever is higher. The announcement by the OPA added:

The Office of Price Administration estimates that only about six out of every 100 retailers doing business in Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, and Delaware—who had March ceilings on refined sugar of six cents per pound—will be affected by the upward adjustment to 6½ cents.

This adjustment will not raise the general level of sugar prices to the consumer, because some 44% of the retailers already were selling at 6½ cents during March and 50% were selling at 7 cents or more at that time. Retail sugar price ceilings of these 94% will not be changed by the new Amendment No. 10 to Supplementary Regulation No. 14, effective Aug. 31, 1942.

Stettinius On British Use Of Lend-Lease Aid

In a statement issued on Aug. 16, Edward R. Stettinius, Jr., Lend-Lease Administrator, disclosed that all lend-lease commitments are being rechecked to determine whether the use of critical raw materials is the "most vital that could be made for the combined war effort."

Mr. Stettinius said that one purpose of his recent trip abroad "was to bring into closer harmony the joint efforts of Great Britain and the United States toward adjusting lend-lease requirements to the developing shortage of raw materials. Lend-lease requirements," he said, "are being adjusted along with similar adjustments in American requirements with a view to obtaining the greatest possible combined war production of both countries out of available materials."

Mr. Stettinius returned to New York on Aug. 10 aboard the Pan American clipper after a trip from England, where he studied the British war effort and the workings of the lend-lease program. He had been in England since July 16; as was noted in these columns July 30, page 377. Mr. Stettinius, upon his arrival on Aug. 10, said that he visted many British war factories and was particularly impressed by "the care with which requests for lend-lease aid are scrutinized and pared down to a minimum by British officials before application is made to us for lend-lease aid." He further remarked that the British are providing many things for American personnel on a lend-lease basis, including housing, transportation, storage warehouses and many other services.

In his statement of Aug. 16, Mr. Stettinius reviewed the controls which are being applied to lend-lease supplies in order to meet the needs of the present situation and pointed out that the prime objective of lend-lease is "that raw materials, as well as other war supplies, should be supplied to those places where they can do most to help win the war in the shortest time."

Mr. Stettinius' statement concluded:

"Despite the fact that all these materials are part of requests already screened by the Lend-Lease Administration and the Requirements Committee, in some cases the rapidly changing strategic situation may make it more advisable from the standpoint of all the United Nations to convert certain lend-lease raw materials into finished munitions here rather than elsewhere. Or it may turn out to be just the other way around.

"The Lend-Lease Administration retains title in the United States on all materials delivered here to representatives of lend-lease countries and has always reserved the right to divert them for vital United States or other United Nations use whenever such use is more important for the war.

"I wish to emphasize again that these controls are being applied in the present situation, as heretofore, in accordance with production and strategy determinations made jointly by the United States and Great Britain. They are flexible enough to meet changing situations as they develop. Their purpose is to make sure that critical raw materials available to the United States are allocated where they will be most effectively used for the war, whether it be to United States production or to our Allies."

Coffee Importing Pact

Terms under which coffee may be procured and imported into the United States under contracts made after July 2 were announced jointly on Aug. 18 by the Board of Economic Warfare, the Office of Price Administration, the War Production Board and the Commodity Credit Corp. of the Department of Agriculture. The New York "Herald Tribune," reporting this from Washington, added:

"The announcement follows the terms, previously disclosed, of a special coffee agreement under which coffee acquired by importers under contract entered into before July 2, and not loaded for shipment by that date, may be imported into the United States.

"The plan announced provides that the importer shall become the agent of the Commodity Credit Corp. to purchase and import for its account specified quantities of green coffee from foreign countries. Stated broadly, the plan provides that importers will repurchase coffee, upon arrival in the United States, from the CCC at a price which does not include increases since Dec. 8, 1941, for ocean freight, marine and war-risk insurance, and certain other items of special expense. As a result, the CCC will absorb these increased war-time costs."

Previous reference to the agreement was made in these columns of Aug. 20, page 644.

From Washington

(Continued from First Page)

nage. We are closer to the United Nations, he said, than the other two sources from which they are accustomed to get meat, Australia and the Argentine. The only one of them we are closer to, it would seem, is Britain, and it is a commentary on something or another, that just before Pearl Harbor, Secretary of Agriculture Claude Wickard, with an eye to helping the prosperity of the farmer, was having an awful time getting the British to take more of our agricultural output. They succumbed to his blandishments when they realized that agricultural products were mostly what they could get under the benefits of Lend-Lease. But it is doubtful if the demands on our food output from the British are to be any more exacting than they have been in the recent past.

Manifestly, both Australia and Argentina are closer to China, and they are closer to Russia by the southern route, and when you realize that our convoys to Archangel and Murmansk have been catching literal hell, the southern route is likely proving the more successful.

There is the additional fact that quite a few of our citizens, our meat eaters, have recently moved to Australia and other places in the vicinity; the further additional fact that we don't see what we've got to do with Argentina's tonnage. But what fascinates us even more is the fact that only a few months ago Mr. Roosevelt was demanding against the loud protests of representatives from the cattle raising states, that Congress remove the prohibition against Argentine beef coming into this country. It was removed, as a good neighbor gesture, not that we needed Argentine beef. All in all, we have decided that you can be nearer right these days by just assuming that everything is the bunk.

Already, we are hearing around among the New Dealers that the splendid job which industry is now doing under Washington control proves the need for a continued regimentation after the war. The argument is arousing plenty of concern in industry generally and particularly among the managers or the executives. It hasn't become so apparent but those gentlemen are being steadily shelved for the duration, and what they are worried about is that the accompanying revolution will shelve them after the duration.

Just as a rough example, just what does a vice president of an industry working altogether on war contracts do these days? Particularly, a vice president in charge of sales. There is no problem of sales. Labor is handled by the labor leaders and Washington; the whole industry is under rigid Washington control; the factor of competition is not present; the books and earnings of the industry are supervised by Washington. We know of many actual instances of vice presidents with time on their hands, and of their seeking commissions in the armed services in the belief that everything is going to pot and that being in the service is the best way to survive.

The labor leaders are becoming more and more vociferous in telling Industry what to do and what not to do, in matters of no direct concern to them. It was labor leaders who forced the telegraph companies to discontinue their singing telegrams and other bargain services. It so happened that the companies were beseeching their patrons to use their services only on essential business and it goes without saying that the feature telegrams were not being transmitted until all of the more important business had been cleared. Presumably they hadn't wanted to definitely stop the feature services because it takes time and money to reestablish them again.

What was the motive of the labor leaders in this instance? Not to help win the war, not to help their employers. It couldn't have been either because they didn't take it up quietly with their employers. The first heard of it was a blast by the labor leaders in the newspapers. Similarly, we find labor leaders now demanding a rationing of telephone calls. Great goings, my friends.

N. Y. Federal Reserve Requirements Cut

Following the recent action of the Board of Governors of the Federal Reserve System in reducing the reserve requirements which New York and Chicago member banks must hold against demand deposits from 26% to 24%, the New York State Banking Board it is learned from the "Wall Street Journal" of Aug. 25, has reduced the reserve requirements of state banks and trust companies, industrial banks and private banks in Manhattan from 26% to 24%.

It is pointed out that the change affects 17 banks in Manhattan which are under the jurisdiction of the State Banking Department and brings these institutions' reserve requirements into conformity with Federal Reserve member banks.

Insured Loan Ass'ns In N. Y. Dist. Increase

According to an announcement made Aug. 28 by Nugent Fallon, President of the Federal Home Loan Bank of New York, there were 197 savings and loan associations with assets of $387,185,467, as of June 30, 1942, located in the Second Federal Home Loan Bank District, which have provided insurance for their savings and investment accounts through the facilities of the Federal Savings and Loan Insurance Corporation. Insured associations are now serving 126 communities in New York and New Jersey. The announcement added:

A breakdown of the figures by States reveals that there are 105 insured savings and loan associations with resources of $290,539,943 operating in the State of New York, while New Jersey has 92 insured savings and loan associations with resources of $96,645,524. This represents an increase of 13 in the number of insured savings and loan associations, and a gain of $41,221,297 in resources for the first half of the year.

One year ago, at June 30, 1941, there were 178 insured associations in the District with assets of $319,985,040.

Of the insured savings and loan associations in the Second Federal Home Loan Bank District, 123 with assets of $170,160,010 operate under State supervision, while 74 having assets of $217,025,457 are under Federal supervision.

Flexible Stabilization Of Wages & Farm Prices

President Roosevelt will outline to the Nation on Labor Day his new program to stabilize wages and farm prices in order to combat the rising cost of living.

In a press conference discussion of the inflation problem on Aug. 28, the President said that the program will involve a flexible rather than a rigid freezing of either wages or farm prices. Mr. Roosevelt declared that he believed wages should be kept within a fixed ratio to the cost of living. He added that a similar ratio might be worked out for stabilizing farm prices.

The President plans to send an explanatory statement to Congress on the anti-inflation program on Labor Day and deliver a "fireside chat" to the people that same evening. It is understood that he will not ask Congress for new legislation to make the program effective, initiating it instead by executive orders. Mr. Roosevelt had previously remarked that time was the important factor.

Expands War Cargo Ins.

The War Shipping Administration announced on Aug. 12 that it has expanded its war risk insurance to cover four additional cargo categories. The supplement, effective Aug. 1, takes in the following, according to Washington advices to the New York "Herald Tribune":

"(1) Coverage on goods exported to the territories and possessions of the United States;

"(2) Coverage on goods shipped between ports;

"(3) Coverage on goods sold by the assured prior to or during shipment, and

"(4) Coverage on goods imported by an agent for account of third parties."

It is also stated that the new order also provides that open cargo policies issued by the WSA do not cover shipments of specie, currency, securities, valuable documents, jewelry, precious stones, gold and silver and other precious metals, or any articles transported by means of ordinary, or registered mail or parcel post.

Christmas Mail For Armed Forces Abroad

Arrangements have been made by the Post Office Department in cooperation with the War and Navy Departments for the acceptance of Christmas parcels for members of our armed forces serving outside the continental United States. (For the purpose of these instructions Alaska is included in the term "outside the continental United States.") In order that such parcels may reach the addressees on time and in good condition, postmasters are requested to bring the following requirements to the attention of mailers:

"**Time of Mailing.** Christmas parcels and Christmas cards should be mailed during the period beginning Oct. 1 and ending Nov. 1, 1942, the earlier the better. Patrons should be encouraged to endorse each gift parcel 'Christmas Parcel.' Special effort will be made to effect delivery of all all Christmas parcels mailed during that period in time for Christmas.

"**Size and Weight.** In view of the urgent need for shipping space to transport materials directly essential to the war effort, Christmas parcels shall not exceed the present limits of 11 pounds in weight or 18 inches in length or 42 inches in length and girth combined. Nevertheless, the public is urged by the War and Navy Departments to cooperate by voluntarily restricting the size of Christmas parcels to that of an ordinary shoe box, and the weight to 6 pounds. These Departments have pointed out also that members of the Armed Forces are amply provided with food and clothing, and the public is urged not to include such matter in gift parcels. Not more than one Christmas parcel or package shall be accepted for mailing in any one week when sent by or on behalf of the same person or concern to or for the same addressee.

"**Preparation.** Owing to the great distance this mail must be transported and the handling and any storage it must undergo, it is absolutely necessary that all articles be packed in substantial boxes or containers and be covered with wrappers of sufficient strength not only to resist pressure of other mail in the same sack, but to withstand the weight of other sacks of mail, which in the long transit may be piled thereon. Furthermore, as each parcel is subject to censorship, delay in handling may be minimized by securing the covering of the parcel so as to permit ready inspection of the contents.

"Many combination packages will probable be made up, including miscellaneous toilet articles, hard candies, soaps, etc. The contents of such packages should be tightly packed, in order that the several articles may not be loosened in transit damaging the contents of the parcel iteslf or causing damage to the covering of the parcel. Christmas boxes should be inclosed in substantial containers. Candies in thin pasteboard boxes should be inclosed in wood, metal, or corrugated pasteboard. Sealed packages of candy, cigars, tobacco and toilet articles in simplest mercantile form may be inclosed within parcels without affecting the parcel-post classification of such packages. Sharp-pointed or sharp-edged instruments, such as razors, knives, etc., must have their points or edges protected so they cannot cut through their coverings and damage other mail or injure postal employees.

"**Perishable Matter.** No perishable matter should be included in any parcels.

"**Prohibited Articles.** Intoxicants, inflammable materials (including matches of all kinds and lighter fluids), and poisons or compositions which may kill or injure another, or damage the mails, are unmailable."

It is pointed out that postage must be fully prepaid.

OCD Insignia Barred For Political Purposes

James M. Landis, Director of the Office of Civilian Defense, made public in Washington on Aug. 21 a ruling prohibiting the use of the official OCD insignia with any printed matter for political purposes. Mr. Landis said:

"This ruling does not interfere with the personal political activities of our volunteer workers, who have the same rights as any other private citizens. The distinction between such activity and the use of the insignia of a war service organization to promote the interests of any individual candidate or party should be apparent. The insignia represent the organization, not the individual. It is obviously improper to use the organization for political purposes or to attempt to make political capital from the use of its insignia."

Commercial use of the OCD insignia also is regulated by the Director, who according to the New York "Herald Tribune" may prohibit such publication or reproduction of these symbols in cases where it would misrepresent or discredit the organization.

War Property In Conn. Exempt From Taxation

Connecticut's Attorney General has ruled that Great Britain's personal property in that State, such as airplane parts, guns, ammunition and the like, having an estimated assessed valuation of $25,000,000, is exempt from taxation under international law.

With regard to the ruling, the Associated Press in Hartford advices Aug. 7 said:

"Attorney General Francis A. Pallotti, who on Sept. 11 announced that personal and real property of the British Government was not tax-exempt, said that his attention had been called since to an agreement between Secretary Hull and Lord Halifax which threw a new light on the matter.

"Under international law, Mr. Pallotti pointed out, 'a sovereign State may not impose a tax upon the personal property of another sovereign State devoted to the public service of that State.'

"However, he said, Connecticut statutes in themselves have no such provision."

WPB Restricts Yardage For Men's Work Clothes

The War Production Board, in a recent limitation order, decreed that in the future men's work clothes will have fewer pockets, fewer buttons and buckles and no unnecessary yardage. The Associated Press reporting this Aug. 7 said:

"Unlike previous clothing orders, this one contained a minimum as well as maximum yardage regulation for each type of garment.

" 'The minimum yardage restriction was provided,' the WPB explained, 'to prevent skimping, which would interfere with a worker's freedom of action and defeat the conservation purpose of the order by making it necessary for a worker to buy a larger size or wear out in a short time as a tight-fitting garment.'

"The WPB estimated the order would result in an annual saving of 21,000,000 yards of cloth, enough to provide 7,000,000 additional garments; 125,000,000 yards of thread, through the elimination of triple stitching; 150,000,000 buttons and 12,000,000 buckles; and 29% of the normal shipping space involved in the shipping of work shirts, since the order prohibits the shipping of these in boxes."

"Buy War Bonds Till It Hurts": Morgenthau

Secretary of the Treasury Morgenthau on Aug. 20 made an urgent appeal for every American to lend a part of his earnings to his country "by buying War Bonds—until it hurts."

In an address at Roanoke, Va., at ceremonies designating that city as the first "Treasury Flag City" in the War Savings Bond campaign, Secretary Morgenthau declared that "it should no longer be necessary for the Treasury to come to every American, hat in hand, to ask for subscription to War Bonds and at 2.9% interest."

Pointing out that "Roanoke is the first city in the United States in which every company can claim that at least 90% of its employees are buying War Bonds regularly out of current earnings through a payroll savings plan," Mr. Morgenthau expressed the hope that all communities of the United States will follow this lead.

The Secretary further said in part:

"War expenditures have already reached unprecedented heights, and will continue to mount as our own participation on the fighting front increases in extent and intensity. To pay the bills that will come in ever-increasing volume we shall have to draw upon every available source of funds. Congress will, in the final analysis, determine how much we must pay in taxes. The balance we shall have to borrow, not only from banks and other institutions, but from individuals, men, women and children, rich and poor, in every State and county of the Nation.

"You have heard many times that this is a total war. That means simply that no one can escape his own personal responsibility to make his maximum contribution to the total effort. This war is not fought by armies and navies alone. It is fought with economic weapons too. It is fought on the farms and in the factories, in the mines and on the merchant ships and railroads, but it is fought too in the homes where men and women curtail their normal expenditures to save money and materials vitally necessary to supply our fighting men.

"Every time you buy a War Bond you too are fighting on this economic front. You are not only helping to pay for the war, you are not only helping to protect the value of your dollar, but you are helping to protect your own personal future as well.

"We simply do not have an unlimited store of the materials needed for war production and supply. Every time you buy something that is not absolutely necessary you are actually competing with our armed forces for materials without which we cannot win the war. Remember, on the other hand, that every time you forego unnecessary and unpatriotic spending you help to win the war, not only on the economic front but on the fighting front too.

"At a time like this it is not enough to buy War Bonds with whatever we may have left over from our normal budgets. We must cut these budgets drastically to conserve the materials needed for the war, and to place our savings at disposal of our Government to pay for these materials.

"Millions of us still place the buying of War Bonds last in our family budget for the month, yet we have passed the time when we can afford to put the war last in our thoughts or in our daily lives. It is time for us to put the buying of War Bonds first on the family budget. The millions of people who are now on payroll savings plans are doing precisely that. In this way they are making the purchase of War Bonds a first charge upon their income. It is urgent that all of us do likewise.

"We on the home front have got to fight much harder from now on. We have got to discipline ourselves to do without things we would like to have but do not actually need, and to put our earnings into War Bonds instead. It is high time for all of us to cut deeply into our accustomed ways of living so that we can help our country in this war for survival and for freedom."

Coffee Agreement

The Bureau of Customs announced on Aug. 20 that provision will be made at customs ports of entry to enable importers to present entries for consumption covering coffee the produce of countries not signatories of the Inter-American Coffee Agreement, on Sept. 1, at 12 noon, Eastern War Time, 11 a.m., Central War Time, 10 a.m., Mountain War Time, and 9 a.m., Pacific War Time. The Bureau's announcement further said:

"Executive Order No. 8863, of Aug. 21, 1941, allocating for the present quota year the quota provided for in Article VII of the Inter-American Coffee Agreement for countries which are not signatories of the Agreement, terminates on Sept. 1, 1942. Therefore, any unentered portion of the over-all quota for coffee the produce of non-signatory countries at the close of business Aug. 31, 1942, shall be open to the entry for consumption of coffee the produce of any non-signatory country at the hour specified above, on Sept. 1, 1942. The unexhausted portion of the quota as of Aug. 15 was approximately 15,500,000 pounds.

"The acceptance of entries will be authorized within the quota limitation in the order of the time of their presentation in proper form at the customhouse in the port where the coffee has arrived. If entries for consumption presented at the time specified above on Sept. 1, 1942, cover a total quantity of coffee the produce of non-signatory countries in excess of the quota limitation, the quantity which may be admitted to entry will be prorated on the basis of the quantity presented for entry.

"Executive Order No. 8863 ceases to be effective on Sept. 1, 1942, and no order will be issued allocating the non-signatory quota for the year beginning Oct. 1, 1942."

Vegetable Oil Products

The War Production Board has delegated allocation and other powers to the Commodity Credit Corp. in respect to vegetable oil seeds and their products, WPB Chairman Nelson announced on Aug. 18. This was indicated in Washington advices to the "Wall Street Journal" which said:

"Farmers have this season grown the largest crops in history of these important oils, replacing oriental imports and filling lend-lease needs.

"Problems of price, storage and crushing facilities have come up. It was reported that the program advanced by the CCC, to move supplies with least delay, may require crushers accustomed now to handling one type of seed to take on other kinds.

"A WPB spokesman emphasized the importance of this delegation of power. He said that while the Board has previously delegated spheres of authority to Army, Navy, OPA, etc., this is the first time it has given CCC the job of going down the line with a big war item.

"One reason that WPB is giving up this particular duty, the spokesman said, is that some kind of financing may be required to keep prices up in face of the big output. Depressed prices would discourage needed production, he declared."

Nelson Urges War Plant Operation On Labor Day

Pointing out that "the battle of production is not yet won," Chairman Donald M. Nelson on Aug. 24 called on American labor to arrange its annual Labor Day observance this year in such a way that there may be continuous operation of all industries, plants and mines in which a shut-down would be injurious to the war effort. In letters to President William Green of the American Federation of Labor and President Philip Murray of the Congress of Industrial Organizations, Mr. Nelson recognized the special significance of Labor Day and remarked that there are many plants in which it will be possible to rearrange war production schedules in such a way that Labor Day may be celebrated as a holiday. He added:

"Wherever this is possible, I am confident that our national unity and the morale of labor will be stimulated if workers take one day to review the contribution they have made to the war effort, to discuss the stake that free labor has in the world-wide conflict in which we are engaged, and to make plans for intensifying their efforts toward increased output."

Local representatives of the armed services, Mr. Nelson said, will be prepared to tell management and labor in various localities specifically which plants and mines should have continuous operation through the holiday. In such places, he suggested, brief celebrations should be planned within the shops. In all other cases, he said, he believed that observance of the holiday would be desirable. The announcement of the War Production Board also stated:

Earlier in the year, Mr. Nelson had called on labor to give a full day's production in all war plants on New Year's Day, Washington's Birthday, Memorial Day and Independence Day. The letters to Mr. Green and Mr. Murray were written after a number of labor leaders and local unions had written to Mr. Nelson asking whether Labor Day parades, picnics and other holiday observance should be canceled this year.

Cut Coffee Consumption

A further reduction in the amount of coffee available to American consumers will be made at the beginning of September, the War Production Board announced on Aug. 21. The base coffee quota for wholesalers, retailers, and other wholesale receivers is reduced from 75% to 65% effective Sept. 1, by Amendment No. 1 to Supplementary Order M-135-c, issued by the Director General for Operations.

The reduction is necessary because of the shipping situation, the WPB stated, explaining that practically all coffee consumed in the United States comes from South and Central American countries. The WPB further said:

Under the amendment, the base quota is set at 65% of the average monthly amount of coffee a roaster delivered or a wholesale receiver accepted during the corresponding quarter of 1941. This quota will be in effect during September and for each subsequent month, unless changed. The present monthly quota, provided under Supplementary Order M-135-c, is 75% of the base period. Counties which have been granted additional coffee because of population increase will continue to receive larger quotas, but their quotas will be based on the new base rate.

The order will reduce civilian coffee consumption in the United States to about 110,000,000 pounds a month, compared with 125,000,000 under the previous order. Annual coffee consumption on an unrestricted basis is approximately 147,000,000 pounds a month.

Tax Bill Endangers Private Utilities Cos.

A warning that if the pending tax bill is passed in its present form, "it will be the beginning of the end of private operation of utilities" was given by Thomas N. McCarter, Chairman of the Board of the Public Service Corp. of New Jersey during the recent hearings of the Senate Finance Committee. It was reported at that time that Senator George, Chairman of the Senate Committee, indicated his approval of the suggestion made by C. W. Kellogg, President of Edison Electric Institute, that perhaps the excess profits of utilities could be based upon constant increase of earnings rather than a stationary base. The New York "Journal of Commerce," reporting this in advices from its Washington bureau Aug. 12 further said:

"Mr. Kellogg suggested that the tax bill 'provide an allowance for an expanding industry with a large investment per dollar of sales in order to alleviate the hardship arising from the use of a stationary base period in determining what constitutes excess profits.'

"Senator George said, 'if this constant increase in earnings is peculiar to the utility industry, it might be used as a fair basis for computation of excess profits through a simple amendment similar to the present growth formula.'

"The Senate Finance Committee Chairman also seemed favorably impressed with the suggestion of Mr. Kellogg that some allowance be given for deferred maintenance in cases where maintenance is necessary but can't be carried out because of shortages of materials and manpower."

Regarding Mr. McCarter's presentments to the Committee the same advices to the "Journal of Commerce" said in part:

"Mr. McCarter pointed out that public utilities, regulated as they are, 'practically can have no excess profits,' and urged that if this industry, because of its peculiar nature, cannot be altogether relieved from so-called excess profits taxes, the law should be changed back to the old system under which normal and surtaxes could be deducted in computing excess profits income as provided in the 1940 Revenue Act.

"To the extent that any abnormal increases have occurred in utility incomes, Mr. McCarter said, in may be proper to place a tax upon such profits.

"However," he added, 'when additional enormous burdens in the guise of so-called excess profits taxes, which they are not, are placed upon a corporation such as ours, which is striving under difficulties to do its share of war work, it is thoroughly inequitable, uneconomic and unjust.'

"Mr. McCarter said that the pending bill does not fulfill Secretary Morgenthau's objects outlined in his statement to the House Ways and Means Committee on March 3, 1942, when the Cabinet officer said:

"'A tax which absorbs excess profits still leaves the corporate taxpayer with a sufficient margin of income for dividends and safety.

"'On the other hand, a tax which dips too deeply into the incomes of low earning corporations may seriously affect their debt paying capacity, if not their very existence.

"'There can be no fair quarrel with the imposition upon corporations of a substantial proportion of the increased load of taxation required by our national peril. We are fighting for the maintenance of the very system of free enterprise which makes corporate profits possible. At a time like this, I am confident that incorporated business will willingly pay additional taxes which will, after all, leave it in the aggregate about the same amount of income after taxes as during the years before 1940.'

"Mr. McCarter also maintained that the 45% normal and surtax rate in the pending tax bill is 'uneconomically high' and should be reduced to a rate not exceeding 40%. . .

"'The amount of revenues lost by the Government, as a result of the changes suggested,' Mr. McCarter said, 'would be incomparable to the chaos that will result in the utility industry if some such relief is not given to the utility industry. . . .'

"All representatives of the utility industry agreed with Mr. McCarter that a reversion to the system of computing excess profits in the 1940 tax bill would relieve the utilities of some of the burden of greatly increased taxes."

Also from the "Journal of Commerce" advices we quote:

"Senator Taft (Rep., Ohio), said he was 'most sympathetic to the problems of the utilities' and added that the utilities industry had shown the committee 'there is necessity for revising the entire excess profits law for all corporations.'

"The Ohio Senator made this remark as A. F. Dawson, President of Cincinnati Gas & Electric Co., was testifying that the utility industry was in a different position than other industries because their rates and profits are controlled by regulatory bodies.

"Mr. Dawson readily agreed with Senator Taft that numerous other corporations would be seriously affected by the excess profits rates in the pending tax bill and to Senator Taft's observation that the utility industry had shown the necessity for revising the entire excess profits tax law. Mr. Dawson replied:

"'If we have shown the light for justice to be done to others, I'm very glad we made the effort.'

"Mr. Dawson also made the suggestion that Chairman George name a subcommittee to prepare a sound program of war taxes for public utilities, stating that the present method is 'unsound, inequitable and destructive.'

"Preston S. Arkwright, President of Georgia Power Co., led the list of utilities' representatives opposing the 'confiscatory rates' in the pending tax bill asserting that if the pending tax bill were adopted in its present form, the utilities' expansion programs would be seriously hindered."

Construction Volume Broke Record In July

Record-breaking construction volume continued through July, according to a special statement released by the F. W. Dodge Corporation on Aug. 14.

Building and engineering contracts awarded last month in the 37 eastern States amounted to $943,796,000; while this was 21% under the all-time high of June, 1942, it was far larger than any other contract total ever recorded. Compared with the figure for July of last year, $577,392,000, there was an increase of 63%.

Ninety-three per cent of the large July, 1942, total was for publicly owned projects, indicating the extent to which war construction has blacked out private work. Industrial building contracts were nearly three times as large as in July, 1941; heavy engineering contracts more than doubled the July, 1941 figures; residential building contracts ran 38% behind the corresponding month of last year.

The cumulative total of construction contracts for the first seven months of this year has amounted to $4,667,521,000, compared with $3,127,354,000 in the corresponding period of 1941, an increase of 49%. This year's seven-month contract total is the largest ever recorded for the first seven months of any year.

Corporate Tax Change Held Essential For Survival Of Business

A warning that industry could not survive lean post-war years without drastic revision of business levies in the proposed new tax bill was uttered on Aug. 19 by Senator Davis (Rep. of Pennsylvania). According to the Associated Press he stated that the Senate Finance Committee of which he is a member must change the House approach or let the nation "face defeat on this important front," as vital to victory as arms and men. The press accounts added:

"Mr. Davis said Pennsylvania's steel, coal and oil industries, geared to full war production, feared the effects of the House bill on future lean years.

"'The graduated scale of 8, 7, 6 and 5% of invested capital as a credit against excess profits net income is entirely too low to allow heavy industry to survive after the war,' Mr. Davis's statement said. 'The 1941 rates of 8 and 7% should be retained.'

"The House bill, he declared, would allow heavy industry to earn only 3 or 3½%.

"'This 3% earning results from computing excess profits net income before deducting normal and surtax and by limiting the excess profits credit to 5% on invested capital over $200 million and then by further levying the normal and surtax at 45%,' he continued.

"'With maximum earnings limited thus drastically, average earnings would fall below 1%,' he declared, 'and no industry can survive such an average rate of earnings.'

"He assailed provisions denying all net capital losses and including buildings and improvements in capital assets, contending it was 'an arbitrary restriction of valid deductions to deny the deduction of net capital losses while taxing net capital gains.'

"Mr. Davis said it was particularly onerous when buildings and other improvements to lands were included with capital losses. He said an arbitrary split of buildings from fixtures would cause endless litigation."

More Rents Frozen

Residential rents in 38 more defense-rental areas will be cut back and brought under Federal regulation on Sept. 1, Price Administrator Leon Henderson announced on Aug. 18. This order, the fourth issued by the Office of Price Administration to reduce rents in its fight against inflation, will establish Federal control of rents in one-third of the nation. It is added in the announcement that over 6,500,000 persons live in the areas to be brought under control Sept. 1. By that time a total of 45,500,000 will be living in defense rental areas under Federal rent regulations. Of the 396 defense-rental areas thus far designated, 134 will be under Federal control on Sept. 1. Mr. Henderson in his advices said:

"Federal control of rents is working. In the 96 areas where we made maximum rent regulations effective in June, July and August, the rent index has shown a sharp drop. This decrease percentagewise has been as high as 11.8. This means a tremendous saving in the nation's rent bill. It means a complete stabilization of one of the most important items in the cost of living. I repeat: rent control is working."

From the advices of the OPA we quote:

"The 38 new areas, all with a March 1, 1942, freeze date, are scattered throughout 21 States, and include such cities as New Orleans, Kansas City, Tampa, Fla., Des Moines, Iowa, Essex County in the Boston, Mass., area, Allentown and Bethlehem, Pa., Chattanooga, Tenn., Jackson, Mich., and Utica-Rome, New York.

"This Sept. 1 action might be termed a move against high rents in areas containing ordnance plants. Nearly one-half of the areas are locations of this type war production activity. Ordnance plant areas are those which see a tremenous in-migration of construction workers once ground is broken for a plant. These workers, their task ocmpleted, make way for the operating personnel of the plant, and a second inmigration of thousands take place.

"Control of rents in the 38 new areas will be effectuated by issuance of two maximum rent regulations, one for hotels and rooming houses, the other for housing accommodations other than hotels and rooming houses. Both regulations will be issued within the next day or two, and will have as their effective dates Sept. 1, 1942.

"For tenants in these new areas, one over-all guiding principle is set forth by the regulations:

"Tenants on paying their September rent are to pay no more than the rent which the same accommodations were bringing on March 1, 1942. The only major exception to this comes when the accommodations have been substantially changed by a major capital improvement.

'This change must be one, however, which materially alters the character of the living quarters, such as the addition of a bathroom, completion of a room in the attic of a house, installation of sidewalks where there had been none before. Ordinary repair and maintenance is not considered a major capital improvement.

"If no change has been made, then the rent to be paid on September 1 cuts back to what it was on March 1. The tenant needs no approval from his landlord to make this cut, nor does he have to consult with his landlord before making it. Such a reduction, where one arises from the rollback date, is automatic with the issuance of maximum rent regulations."

No Military Rank For Geodetic Survey Officers

President Roosevelt vetoed on Aug. 13 a bill authorizing the temporary appointment or advancement of commissioned officers of the Coast and Geodetic Survey in time of war or national emergency. In his veto message to the House, the President voiced his objection to the far-reaching provision in the bill that "officers on the active list of the Coast and Geodetic Survey in commissioned ranks shall be deemed to be in active military service." His message added:

"I am informed that under this latter provision all active commissioned service, whether in time of war or peace, in the Coast and Geodetic Survey, would be considered active military service, and that, consequently, there would flow to its commissioned personnel all pension, insurance and other rights and privileges to which military personnel and their dependents are entitled. The committee reports and the debates do not indicate that these results were foreseen by the Congress.

"It would be different if the majority of the functions of the Coast and Geodetic Survey were clearly military or naval. On the contrary, in time of peace, its duties and functions are normally civilian; and in time of war most of them continue to be civilian.

"I am, therefore, unable to find any reason which would justify placing all of the active commissioned personnel of the Coast and Geodetic Survey into the category of 'active military service.'

"And it should be remembered that, under existing law, officers of the Coast and Geodetic Survey actually serving under military or naval command are now entitled to the benefits of the laws which apply to the armed forces."

Mtg. Bankers Urged To Aid OPA Rent Control

Frederick P. Champ, President of the Mortgage Bankers Association of America, in a report to the members on Aug. 22, urged them to continue extending OPA their assistance in assembling the statistical data necessary to make the constructive administration of rent control possible, and said that they must also be prepared to assist in the next great war housing development — getting war workers properly housed in private homes. Mr. Champ said:

"It is plain that the rapidly increasing need of scarce materials for guns, planes, tanks and ships is not going to permit construction of much of the war housing previously planned and means further that existing housing must be utilized to accommodate war workers."

In his message Mr. Champ stated members should "give OPA assistance along the lines of the MBA program of cooperation previously inaugurated. Reasonable rent control, it was pointed out, is necessary, and if fairly administered will be a deterring influence on inflation. If rent control gets out of hand and is defeated either by unreasonable or inept administration or selfish non-cooperation on the part of landlords and property owners, it will become another leak in the dike at this time when controls on inflation are necessary." In part, Mr. Champ also said:

"If the rent freezing dates in certain cities are thought to be the wrong dates and have meant unjust treatment for property owners, the proper procedure is to lay all facts before OPA. This agency may have erred in some instances—it would be phenomenal if they did not in view of the extent of their job and the limited time they had for it. Especially in the cities with 'rollback' dates—those prior to March 1, 1942—is the need great for accurate and full data.

"More than a million and a half of war workers will move into defense centers in the next 12 months and well over half a million probably will have to be housed in private homes. Mortgage men can do nothing more patriotic now than to help in the effort to see that war workers get comfortably and decently housed in existing housing because it means the maximum saving of critical materials which are desperately needed for ships, guns, planes and tanks."

Mr. Champ said this new development in housing will be given a prominent place at the Conference on Wartime Mortgage Finance the Association will hold in connection with its annual business meeting Sept. 30 and Oct. 1 and 2 in Chicago.

Two Mexican Banks To Control Sale Of Silver

The sale of Mexican silver in the domestic market will be controlled jointly in the future by the Miners & Merchants Bank, Mexico City, and the Bank of Mexico, central Government bank, according to Associated Press Mexico City advices. The dispatch further said:

"The large silver producers now sell directly to the United States Government, while the small ones, representing about 20% of Mexican production, have been supplying the domestic market. Prices in this market have risen to nearly double the price paid in the United States, working hardship on small silversmiths here.

"The bank said it and the Government institution, as well as other agencies which might later be permitted to deal in silver, would sell at the 35⅜ cents an ounce price fixed by the United States Government.

New Govt. Corporation To Buy Scrap Metal

Secretary of Commerce Jesse Jones announced on Aug. 27 completion of the organization of War Materials, Inc., which will act as agent for Metals Reserve Company in buying and collecting scrap metal. The Directors are:

- G. Temple Bridgman, Executive Vice-President Metals Reserve Co., Washington, D. C.
- A. C. Clarke, Chief Engineer Baltimore & Ohio Railroad, Baltimore, Md.
- L. D. Greene, Assistant Purchasing Agent Bethlehem Steel Co., Bethlehem, Pa.
- J. M. Hopwood, President, Hagan Corp., Pittsburgh, Pa.
- C. R. Miller, Jr., Vice-President in Charge of Purchases, U. S. Steel Corp., Pittsburgh, Pa.
- L. Morris Mitchell, Chief Engineer Merritt, Chapman & Scott, New York, N. Y.
- C. W. Nichols, Vice-President Metals Reserve Co., Washington, D. C.
- H. E. Pape, General Purchasing Agent The Stanley Works, New Britain, Conn.
- S. R. Tyler, Vice-President Laclede Steel Co., St. Louis, Mo.

Mr. Hopwood was made President and other officers will be elected at the next meeting.

The corporation as agent of Metals Reserve Company will have its main office in Pittsburgh at the 9th and Liberty Building, with regional offices to be established at strategic locations in the near future.

In explaining the corporation's purpose, the Secretary's announcement said:

"It will be the policy of War Materials, Inc., to acquire, dismantle and make available to the consuming industries, all types of scrap material such as bridges, abandoned buildings, etc., which for commercial or other reasons are not moving in the normal *channels of trade. Materials so obtained will be allocated by the* War Production Board and sold to consumers at ceiling prices established by the Office of Price Administration.

"The success of this program will depend in large measure on the cooperation and support of the iron and steel scrap industry whose facilities will be used to the greatest extent possible. There is thus given to the iron and steel scrap industry the opportunity of rendering an invaluable service to the country in this its greatest emergency. Nevertheless, however great the effort, success can only come with the cooperation of everyone who is in possession of scrap metals or objects containing iron and steel which are serving no useful purpose.

"War Production Board has requested War Materials, Inc., to acquire during the rest of this year not less than 5,000,000 tons of such materials, and the assistance and cooperation of everyone is earnestly requested to report to War Materials, Inc., the existence of any such scrap metals or useless structures or objects containing metals.

"At the request of Metals Reserve Company, E. A. France, Jr., and John Levinson have been released from their duties at the Office of Price Administration and will be located at the corporation's central office at Pittsburgh."

Gibson Heads Red Cross Post In Britain

The safe arrival in London of Harvey D. Gibson of New York was reported on Aug. 28 by Norman H. Davis, Chairman of the American Red Cross, who announced that Mr. Gibson has been appointed American Red Cross Commissioner to Great Britain. Mr. Gibson is President of the Manufacturers Trust Company of New York and a director of many important corporations.

Chairman Davis declared: "In view of the growing importance of the American Red Cross program in Great Britain, it has been decided to establish a commission form of organization covering operations in that area. This follows the precedent established in the last war when the American Red Cross sent commissions of groups of important Americans to France and other countries.

"Mr. Gibson has had extensive Red Cross experience. In the last war he served successively as Chairman of the New York County Red Cross Chapter, general manager of all Red Cross activities in America, a member of the War Council, Commissioner to France and, finally, Commissioner to Europe. He is, therefor, particularly fitted to render the same service to our soldiers abroad in this war as he did in the last war."

At the bank it was stated that the Board of Directors had given Mr. Gibson an indefinite leave of absence for foreign service with the Red Cross, and that during his absence, Henry C. Von Elm, Vice-Chairman of the Board, had been designated as Chief Executive Officer.

Mr. Von Elm has been connected with Manufacturers Trust Co. and its predecessor institutions since 1903. He has served as Chairman of the Executive Committee and President of the bank, and has been Vice-Chairman of the Board of Directors since 1931. Mr. Von Elm is also President of the Manufacturers Safe Deposit Co. and a Director of National Dairy Products Corp., General Cigar Co., Inc., McKesson & Robbins, Inc., Baltimore American Insurance Co., National Liberty Insurance Co., The Sperry & Hutchinson Co., and the U. S. Realty & Improvement Co.

Payment On San Paulo 7s

J. Henry Schroder Banking Corp., New York, as special agent, is notifying holders of State of San Paulo (United States of Brazil) 7% secured sinking fund gold bonds external water works loan of 1926, that it has received funds to pay on or after Sept. 1, 1942, 15.05% of the face amount of the coupons due March 1, 1940, appertaining to these bonds. The payment will amount to $5.2675 for each $35 coupon and $2.63375 for each $17.50 coupon.

The acceptance of this payment is optional with the holders, but pursuant to the terms of Presidential Decree No. 23829 of Feb. 5, 1934, as modified by Decree-Law No. 2085 of March 8, 1940, payment if accepted must be for full payment of the coupons and of claims for interest represented thereby.

Holders of the March 1, 1940, coupons may obtain payment of the amounts prescribed upon presentation and surrender of the coupons at the office of the special agent, 48 Wall Street, New York.

No provision has been made for unpaid coupons which matured prior to April 1, 1934, but they should be retained for future adjustment.

Interest On Pernambuco 7s

Holders of State of Pernambuco (United States of Brazil) 7% external sinking fund loan due March 1, 1947, are being notified that interest due March 1, 1940, will be paid beginning Sept. 1 at the rate of $4.89125 per $35 coupon, upon presentation to White, Weld & Co., special agents, 40 Wall Street, New York. Unpaid interest coupons of this issue, namely those maturing from Sept. 1, 1931 to March 1, 1934, inclusive, and on Sept. 1, 1937, must remain attached to the bonds for future adjustment in accordance with the Decree of the Federal Government of Brazil dated Feb. 5, 1934 and modified March 8, 1940.

NYSE Changes Trading Unit For 16 Stocks

Emil Schram, President of the New York Stock Exchange, announced on Aug. 25 that, effective at the opening on Sept. 1, the unit of trading in 16 comparatively inactive and high-priced stocks will be reduced from 100 shares to 10 shares, and 12 stocks presently traded in at Post 30 will be moved to active posts, the unit of trading in the latter group to remain at 10 shares. The stocks which will undergo these changes are as follows:

Unit of Trading Reduced From 100 to 10 Shares

American Can Co., pfd.; American Smelting & Refining Co., pfd.; American Tobacco Co., 6% pfd.; Consumers Power Co., $4.50 cum. pfd.; General Cable Corp., 7% cum. pfd.; Hazel-Atlas Glass Co.; International Harvester Co., 7% cum. pfd.; Liggett & Myers Tobacco Co., 7% cum. pfd.; Norfolk & Western Railway Co.; Northern States Power Co., cum. pfd. $5 ser.; Philadelphia Co., 6% cum. pfd.; Public Service Corp. of N. J. 7% cum. pfd.; Public Service Corp. of N. J. 6% cum. pfd.; Public Service Corp. of N. J. $5 cum. pfd.; Tide Water Associated Oil Co. $4.50 cum. conv. pfd.; Youngstown Sheet & Tube Co. ser. "A" 5½% cum. pfd.

Removed From Post 30 To Active Posts

American Ship Building Co.; Carolina, Clinchfield & Ohio Ry. Co.; Cleveland & Pittsburgh Railroad Co., gtd. 7% capital; Corn Exchange Bank Trust Co.; Corn Products Refining Co., 7% cum. pfd.; Morris & Essex RR. Co.; New York, Lackawanna & Western Ry. Co.; Norfolk & Western Rv. Co., 4% non-cum. adj. pfd.; Pacific Telephone & Telegraph Co., pfd. 6% cum.; Philadelphia Co., $3 cum. pref.; Rensselaer & Saratoga RR. Co., gtd. cap.; West Penn Power Co., 4½% pfd.

The Exchange's announcement further stated:

"Specialists and odd lot dealers at the active posts will service the entire 28 stocks that are involved as 100-share-unit stocks are now serviced, with the main exception that the differentials charged by odd lot dealers on lots smaller than 10 shares will be 25c a share when the selling price is under $75, and 50c. a share on stocks selling $75 and above.

"The innnovations to be effected on Tuesday reflect an experimental effort to determine whether dealing in selected stocks at active posts in units of trading smaller than 100 shares will improve the market for such issues, and follows a recent amendment to the Constitution which makes it possible for the Board of Governors to effectuate changes in units of trading. This amendment also established uniform minimum commissions and clearance charges, irrespective of the size of the trading unit." (The amendment was referred to in these columns of Aug. 20, page 623.)

The odd lot dealers at Post 30 announced that, effective Aug. 24, the differentials charged on odd lots of stocks dealt in at that post were changed to correspond with the differentials to be charged, effective Sept. 1, on odd lots of 10-share unit stocks dealt in at Posts 1 to 15, inclusive.

Willkie To Visit Russia As FDR's Special Envoy

Wendell L. Willkie, 1940 Republican Presidential candidate, will soon leave on a trip to Russia, China and the Near East as a special representative of President Roosevelt to explain the progress of the United States' war effort. Mr. Willkie and the President had conferred about the trip on Aug. 20 and Mr. Roosevelt gave out the details of Mr. Willkie's services to be performed for the government at his press conference on Aug. 20.

The President said that Mr. Willkie's principal task will be to tell the truth to the leaders and people of Russia, China, Egypt, Arabia, Palestine, Syria, Turkey, Iraq and Iran, about American war production and to correct erroneous information about work stoppages and strikes.

Mr. Willkie's other task, Mr. Roosevelt explained, will be to impress upon the countries he visits the comparison of what the world would be like if the Axis should win and what results would come from a United Nations victory. Mr. Roosevelt remarked that Mr. Willkie, as the leader of the minority party in the United States, would carry great weight in his words concerning this country's unity to defeat the Axis.

Mr. Willkie is scheduled to leave on his trip in three weeks and is expected to return by Oct. 15. He will carry letters to American representatives and to the heads of various governments, including Premier Stalin of Russia.

War Commitments Pass $220 Billion Mark

Appropriations and contract authorizations for the war program now total more than $220,000,000,000, a Treasury compilation showed on Aug. 28.

Although this amount is larger than all the money spent by the United States Government from the inauguration of George Washington as President until the attack on Pearl Harbor, most of it remains to be spent, the Associated Press reports, further stating:

"Treasury expenditures from March 25, 1940, when spending for the war program began, until July 31, 1942, total $37,000,000,000 for military purposes. An additional billion or two has been spent by the Reconstruction Finance Corporation and other government corporations for which no exact figures are available.

"The monthly bulletin of the Treasury showed that war appropriations in this period aggregated $191,739,987,588, while contract authorizations amounted to $14,290,870,225 ($467,872,846 of these contract authorizations are duplicated in the appropriation figure), and the net total of the two was $205.562,984,967. To this amount must be added about $15,000,000,000 of authorizations for the RFC and other corporations.

"No breakdown of the appropriations and authorizations by branches of the government was given. However, it was indicated that most of the contract authorizations which have not yet been translated into appropriations are for naval construction scheduled in the next few years."

Duke Of Kent Killed

The Duke of Kent, youngest brother of King George VI, was killed on Aug. 25 when a Sunderland flying boat crashed in the north of Scotland. The Duke, who was 39 years old, was on the staff of the Inspector General of the Royal Air Force and was en route to Iceland on active service as Air Commodore, the Air Ministry's announcement said. This was the first death of a member of the British royal family in the war. The Duke was fifth in the line of succession to the throne.

Burial took place on Aug. 29 in the royal tomb beneath St. George's Chapel of Windsor Castle. The funeral services were attended by most of the members of Britain's royal family.

King George, Queen Elizabeth and Queen Mother Mary attended with the widow, the former Princess Marina of Greece. Also present were King Haakon of Norway, King Peter of Yugoslavia, King George of Greece and Queen Wilhelmina of the Netherlands.

R. E. Boards Ask Owners' Cooperation

Property owners should immediately be put in a position to cooperate in an organized way with their local real estate boards, either as affiliated groups or as associate members of the local board, in working out with governmental agencies the important questions of procedure constantly arising in conversion of our economy to a was basis. That is the urgent recommendation of the Realtors' Washington Committee, war-problems committee of the National Association of Real Estate Boards, made at a meeting just closed in Washington, D. C. Advices to this effect made available Aug. 29 said:

The Committee reviewed reports from major cities over the country indicating the growing urgency to property owners in defense areas of matters arising from the change-over to a war footing, including rent control and its administration, maintenance of buildings, and the difficulty it meets under priorities for plumbing and other materials and equipment, expected restrictions on the use of fuel, particularly oil, for heating purposes, and proposed important changes in the Federal tax structure affecting State and local tax structures.

Unless property owners in our defense areas are immediately put in a position to assist real estate boards and their Realtors' Washington Committee in working with the Federal Government to avoid mistakes and injustices in matters now under way very directly affecting real estate, property values and equities may in many cases be destroyed, the Committee states. The Committee, which is in constant conference with Federal agencies concerned with the war effort, points out that if we are to draw upon our whole civilian strength in this effort, the responsible authorities must have before them the necessary facts, including the necessary facts in the real estate field, upon which to shape our war measures equitably.

For cooperation to this end, it asks real estate boards throughout the nation to take the initiative this month in bringing about whatever organization of property owners seems best suited to the locality.

Treasury Rules Export Advertising Deductible

Export advertising expenditures by American manufacturers in Latin-American countries are deductible for income tax purposes if restricted to reasonable amounts, Assistant Secretary of the Treasury John L. Sullivan so ruled recently in a letter to Nelson Rockefeller, Coordinator of Inter-American Affairs, according to Washington advices Aug. 22 to the "Wall Street Journal" which quoted Mr. Sullivan as follows:

"Expenditures for advertising for the purposes stated, if they are not extravagant and out of proportion to the size of the company or to the amount of its advertising in the other American Republics in the past and bear a reasonable relation to the business activities in which the enterprise is engaged, are considered ordinary and necessary under existing conditions and are deductible for Federal income tax purposes," Assistant Secretary Sullivan ruled.

This type of export advertising, Mr. Rockefeller stated, has taken a decided drop because it has been feared that good will or institutional type of advertising on products unavailable for delivery, might be construed to be a means of reducing taxes.

"This fear has now been dissipated by the Treasury in the special ruling," Mr. Rockefeller said.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following tables:

MOODY'S BOND PRICES†
(Based on Average Yields)

1942— Daily Averages	U. S. Govt. Bonds	Avge. Corporate *	Corporate by Ratings *				Corporate by Groups *		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus
Sept. 1	117.84	106.92	116.80	113.31	108.16	92.06	96.54	111.62	114.08
Aug. 21	117.84	106.92	116.80	113.31	108.16	92.06	96.54	111.62	114.08
29	117.82	107.09	117.00	113.31	108.16	92.06	96.54	111.62	114.08
28	117.85	106.92	116.80	113.31	108.16	92.06	96.54	111.62	114.08
27	117,89	107.09	117,00	113.31	108.16	92.06	96.54	111.62	114.08
26	117.89	107.09	117.00	113.31	108.16	92.06	96.54	111.62	114.08
25	117.89	107.09	117.00	113.31	108.16	92.20	96.54	111.62	114.08
24	117.93	107.09	117.00	113.31	108.16	92.06	96.54	111.62	114.08
22	117.93	107.09	117.00	113.31	108.16	92.06	96.54	111.62	114.08
21	117.93	106.92	116.80	113.31	108.16	92.06	96.38	111.44	114.08
20	117.94	106.92	116.61	113.31	108.16	92.06	96.38	111.44	114.08
19	117.93	106.92	116.61	113.31	108.16	92.06	96.38	111.44	114.08
18	117.88	106.92	116.80	113.31	108.16	91.91	96.38	111.44	114.08
17	117.88	106.92	116.80	113.31	108.16	91.91	96.23	111.44	114.08
15	117.92	106.92	116.80	113.31	108.16	91.91	96.23	111.44	114.08
14	117.92	106.92	116.80	113.31	108.16	91.91	96.23	111.44	114.08
13	117.97	106.92	116.80	113.31	108.16	91.91	96.23	111.44	114.27
12	117.96	106.92	116.80	113.31	108.34	91.91	96.23	111.44	114.27
11	117.97	106.92	116.80	113.31	108.34	91.91	96.23	111.44	114.27
10	117.97	106.92	116.80	113.31	108.34	91.91	96.23	111.62	114.27
8	117.97	107.09	116.80	113.31	108.34	92.06	96.23	111.44	114.27
7	117.97	106.92	116.61	113.12	108.16	91.91	96.23	111.44	114.27
6	117.89	106.92	116.61	113.31	108.16	91.91	96.23	111.44	114.27
5	117.86	106.92	116.61	113.31	108.16	91.91	96.23	111.44	114.27
4	117.90	106.92	116.61	113.31	108.16	91.77	96.07	111.44	114.27
3	118.03	106.92	116.61	113.31	108.16	91.77	95.92	111.44	114.27
1	118.10	106.92	116.61	113.31	108.16	91.77	96.07	111.44	114.27
July 31	118.11	106.92	116.41	113.50	108.16	91.77	96.07	111.44	114.27
24	118.22	106.74	116.61	113.31	107.98	91.77	95.92	111.62	114.08
17	118.22	106.74	116.41	113.12	107.98	91.62	95.77	111.44	114.27
10	118.26	106.74	116.41	113.31	107.80	91.62	95.77	111.25	114.08
3	118.09	106.56	116.22	113.12	107.98	91.34	95.77	111.25	113.89
June 26	118.14	106.39	116.22	112.93	107.80	91.05	95.47	110.88	113.89
19	118.33	106.39	116.22	112.93	107.62	91.19	95.47	110.88	113.89
12	118.33	106.21	116.02	112.75	107.44	91.19	95.62	110.88	113.50
5	118.38	106.21	115.82	112.93	107.27	91.34	95.77	110.70	113.31
May 29	118.35	106.39	116.02	112.93	107.44	91.77	96.07	110.70	113.70
22	118.33	106.56	116.02	112.93	107.44	91.91	96.07	110.70	113.50
15	117.89	106.74	116.02	113.31	107.62	92.06	96.54	110.88	113.70
8	117.79	106.74	116.22	113.12	107.62	92.20	96.69	110.70	113.70
1	117.90	106.56	116.22	113.12	107.44	92.06	96.69	110.70	113.70
Apr. 24	117.80	106.74	116.22	113.12	107.62	92.06	96.69	110.70	113.70
Mar. 27	118.20	106.74	116.22	113.50	107.62	91.91	97.00	110.34	113.50
Feb. 27	116.34	106.39	115.63	113.31	107.62	91.62	96.85	110.15	113.31
Jan. 30	117.08	106.92	116.22	113.70	107.80	92.06	97.31	110.52	113.70
High 1942	118.41	107.09	117.00	114.08	108.34	92.50	97.47	111.62	114.46
Low 1942	115.90	106.04	115.43	112.75	107.09	90.63	95.32	109.60	112.75
High 1941	120.05	108.52	118.60	116.02	109.60	92.50	97.78	112.56	116.41
Low 1941	115.89	105.52	116.22	112.00	106.04	89.23	95.62	109.42	111.62
1 Year ago									
Aug. 30, 1941	119.14	107.80	118.40	114.85	108.88	91.77	97.16	112.00	115.24
2 Years ago									
Aug. 31, 1940	115.71	103.64	116.22	112.56	103.47	85.85	91.91	109.24	111.25

MOODY'S BOND YIELD AVERAGES†
(Based on Individual Closing Prices)

1942— Daily Average	Avge. Corporate	Corporate by Ratings				Corporate by Groups		
		Aaa	Aa	A	Baa	R. R.	P. U.	Indus
Sept. 1	3.34	2.81	2.99	3.27	4.27	3.97	3.08	2.95
Aug. 31	3.34	2.81	2.99	3.27	4.27	3.97	3.08	2.95
29	3.33	2.80	2.99	3.27	4.27	3.97	3.08	2.95
28	3.34	2.81	2.99	3.27	4.27	3.97	3.08	2.95
27	3.33	2.80	2.99	3.27	4.27	3.97	3.08	2.95
26	3.33	2.80	2.99	3.27	4.27	3.97	3.08	2.95
25	3.33	2.80	2.99	3.27	4.26	3.97	3.08	2.95
24	3.33	2.80	2.99	3.27	4.27	3.97	3.08	2.95
22	3.33	2.80	2.99	3.27	4.27	3.97	3.08	2.95
21	3.34	2.81	2.99	3.27	4.27	3.98	3.09	2.95
20	3.34	2.82	2.99	3.27	4.27	3.98	3.09	2.95
19	3.34	2.82	2.99	3.27	4.27	3.98	3.09	2.95
18	3.34	2.81	2.99	3.27	4.28	3.98	3.09	2.95
17	3.34	2.81	2.99	3.27	4.28	3.99	3.09	2.95
15	3.34	2.81	2.99	3.27	4.28	3.99	3.09	2.95
14	3.34	2.81	2.99	3.27	4.28	3.99	3.09	2.95
13	3.34	2.81	2.99	3.27	4.28	3.99	3.09	2.94
12	3.34	2.81	2.99	3.26	4.28	3.99	3.09	2.94
11	3.34	2.81	2.99	3.26	4.28	3.99	3.09	2.94
10	3.34	2.81	2.99	3.26	4.28	3.99	3.08	2.94
8	3.33	2.81	2.99	3.26	4.27	3.99	3.09	2.94
7	3.34	2.82	3.00	3.27	4.28	3.99	3.09	2.94
6	3.34	2.82	2.99	3.27	4.28	3.99	3.09	2.94
5	3.34	2.82	2.99	3.27	4.28	3.99	3.09	2.94
4	3.34	2.82	2.99	3.27	4.29	4.00	3.09	2.94
3	3.34	2.82	2.99	3.27	4.29	4.01	3.09	2.94
1	3.34	2.82	2.99	3.27	4.29	4.00	3.09	2.94
July 31	3.34	2.83	2.98	3.27	4.29	4.00	3.09	2.94
24	3.35	2.82	2.99	3.28	4.29	4.01	3.08	2.95
17	3.35	2.83	3.00	3.28	4.30	4.02	3.09	2.94
10	3.35	2.83	2.99	3.29	4.30	4.02	3.10	2.95
3	3.36	2.84	3.00	3.28	4.32	4.02	3.10	2.96
June 26	3.37	2.84	3.01	3.29	4.34	4.04	3.12	2.96
19	3.37	2.84	3.01	3.30	4.33	4.04	3.12	2.96
12	3.38	2.85	3.02	3.31	4.33	4.03	3.12	2.98
5	3.38	2.86	3.01	3.32	4.32	4.02	3.13	2.99
May 29	3.37	2.85	3.01	3.31	4.29	4.00	3.13	2.97
22	3.36	2.85	3.01	3.31	4.28	4.00	3.13	2.98
15	3.35	2.85	2.99	3.30	4.27	3.97	3.12	2.97
8	3.35	2.84	3.00	3.30	4.26	3.96	3.13	2.97
1	3.36	2.84	3.00	3.31	4.27	3.96	3.13	2.97
Apr. 24	3.35	2.84	3.00	3.30	4.27	3.96	3.13	2.97
Mar. 27	3.35	2.84	2.98	3.30	4.28	3.94	3.15	2.98
Feb. 27	3.37	2.87	2.99	3.30	4.30	3.95	3.16	2.99
Jan. 30	3.34	2.84	2.97	3.29	4.27	3.92	3.14	2.97
High 1942	3.39	2.88	3.02	3.33	4.37	4.05	3.19	3.02
Low 1942	3.33	2.80	2.95	3.26	4.24	3.91	3.08	2.93
High 1941	3.42	2.86	3.06	3.39	4.47	4.03	3.20	3.08
Low 1941	3.25	2.72	2.85	3.19	4.24	3.89	3.03	2.83
1 Year ago								
Aug. 30, 1941	3.29	2.73	2.91	3.23	4.29	3.93	3.06	2.89
2 Years ago								
Aug. 31, 1940	3.53	2.84	3.03	3.54	4.72	4.28	3.21	3.10

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Oct. 2, 1941, page 409

July Food Purchases Include Dehydrated Meat

The Department of Agriculture announced on Aug. 22 its first purchase of dehydrated beef for United Nations' fighting men and other wartime needs. An 80,000-pound purchase of dehydrated beef is included in the July report on purchases by the Agricultural Marketing Administration for the Allied Nations and other requirements. The Department also states that total purchase of all foodstuffs amounted to $137,900,000 during the month; more than $1,540,000,000 since the start of the program last year.

The Department's announcement further said:

"AMA officials said the beef purchase marks the beginning of a meat dehydration program designed to increase capacity to 60,000,000 pounds annually by the end of October. AMA expects to purchase dehydrated pork in quantity this fall when marketings of the new pig crop make larger meat supplies available. AMA does not plan to enter the market for additional dehydrated beef in the immediate future, because of large Army and Navy needs for beef.

"Vegetables, fruit, fish, fats and oils and vitamin concentrates were bought in increased quantities during July. The total dollar amount for all commodities was somewhat lower than in the previous month, because of smaller purchases of dairy products and meats. Meats, however, continued to lead among the various commodities. The decline in July, compared with June, was attributed partly to the decision, made early in July, to halt temporarily the purchasing of certain pork products.

"Commodities bought in July for the first time included—in addition to dehydrated beef—processed raspberries, frozen pork livers, frozen beef kidneys, frozen pork kidneys, dairy and poultry feeds, dry salt fish, chicory seed, caraway oil, cod liver oil, halibut liver oil, sassafras oil, green coffee beans, dispentin and pinene.

"Among the larger July purchases were 132,144,492 pounds of canned pork meat at an f.o.b. cost of $48,346,217; cured pork meat, 37,012,500 pounds at $6,600,730; dehydrated potatoes, 1,600,000 pounds at $459,175; dry skim milk, 29,136,545 pounds at $3,587,291; cheese, 18,339,315 pounds at $4,182,568; dried eggs, 13,800,925 pounds at $14,341,217; cornstarch, 55,120,000 pounds at $1,547,638; oleomargine, 17,977,000 pounds at $2,610,663; laundry soap, 16,532,000 pounds at $1,050,928; wood rosin, 18,415,780 pounds at $451,260 and dry salt fish, 497,868 pounds at $71,353."

ODT Restricts Taxis

The Office of Defense Transportation on Aug. 29 issued a general order placing the taxicab industry, beginning Sept. 1, under strict regulation. The order, ODT Director Joseph B. Eastman explained, is designed to save tires, gasoline and vehicles. It prohibits cruising for passengers, entrance of any new vehicles into the taxicab service and also limits speeds. The order is expected to cover the operation of an estimated 50,000 vehicles throughout the country.

A taxicab is defined by the order as "any rubber-tired vehicle (1) propelled or drawn by mechanical power; (2) having a seating capacity of less than 10 persons; (3) used in the call and demand transportation of passengers for compensation to or from points chosen or designated by the passenger, and (4) not operated on a fixed schedule, between fixed termini, or over scheduled routes."

Some provisions of the order are:

Establishes a national speed limit of 40 miles an hour.

Prohibits cruising to pick up passengers and commercial delivery of property.

Limits to 25 miles the distance which may be traveled in any one trip.

Establishes a 10-mile limit on the distance a taxi may be operated beyond the corporate limits of the municipality in which the trip starts.

Forbids the use of taxicabs for "social or recreational purposes of the driver or operator."

The ODT announcement added that exceptions to the order include the carrying of passengers to and from a funeral; transportation of passengers in connection with emergencies, such as accident, sickness, death, public calamity or military necessity.

CCC Extends Time For Shipments Of Cotton

The U. S. Department of Agriculture announced on Aug. 25 that exporters who have registered sales under the Cotton Sales for Export Program of Commodity Credit Corporation will be given until Nov. 30 to complete shipments. The announcement states:

The previous requirement was that cotton be exported prior to Sept. 30, 1942. The amendment to the program gives exporters an additional 60 days to complete shipments against cotton previously sold under the program.

The registration of sales under the Cotton Sales for Export Program was terminated July 21, 1942, in order to comply with the provisions of the Appropriations Act for the 1943 fiscal year of the Department. Purchase orders covering sales registered prior to that date were accepted by the CCC until July 31, 1942.

A copy of the amendment will be mailed to participants in the Cotton Sales for Export Program. Others may obtain copies of the amendment upon request to Commodity Credit Corporation's regional office, New Orleans, La.

Senate Group Votes 80% Excess Profits Tax

(Continued from First Page)

ing tax would apply to the balance of an individual's income which would be left after allowance for personal exemptions and deductions for dependents, capital investments, payment of life insurance premiums and purchase of war bonds.

"Such a tax," the Senator declared in a statement, "is intended to serve a dual purpose. It would place a check on consumer spending and would thus help to meet the increasing danger of a further rise in the cost of living. It would also produce a substantial amount of revenue."

On Aug. 28 the Committee voted to eliminate from the new revenue bill the capital stock tax and the declared value excess profits tax on corporations, an action which would reduce potential revenues approximately $74,000,000.

Regarding this action the Associated Press reported:

"The capital stock tax is $1.25 per $1,000 declared value of stock. The declared value excess profits tax, which is linked to the capital stock tax, operates when a company makes more than 10% of its declared stock value in profits. It is distinct from the regular excess profits tax figured on a corporation's earnings.

"At the same time, Chairman George said the Committee had agreed to revise the basis for computing excess profits taxes to give relief to corporations using the average-earnings method.

"Under this revision, corporations which had low earnings in one of the base years, from 1936 through 1939, could substitute 75% of the average for the other three years for the low year's total."

Although the Senate Committee on Aug. 26 rejected by a 13 to 3 vote the Ruml plan for "pay-as-you-go" income tax collections in favor of the 5% withholding tax voted by the House, it is believed likely that some reconsideration will be given, possibly proposing a combination of the two.

Under the plan, sponsored by Beardsley Ruml, Chairman of the Board of the Federal Reserve Bank of New York and Treasurer of R. H. Macy & Co., the tax clock would be moved ahead so that the present system of year-behind tax collections would become current collections. Mr. Ruml's plan would write off taxes on 1941 incomes and apply the money already paid on these taxes to levies due on 1942 income.

The Treasury is opposed to the Ruml plan on the ground that it would be a "windfall" to those who had large incomes for 1941 and very low incomes subsequently. Randolph E. Paul, General Counsel of the Treasury, said on Aug. 31 that the Treasury is opposed to it, because it is too complicated, would not, in fact, put taxpayers on a current basis, and involves forgiving a year's tax liability "with the greatest benefit going to those with the biggest incomes."

Previous reference to the Senate Committee's tax revisions appeared in these columns of Aug. 27, page 721.

"Victory-C. O. D." Is Held Vital To Freedom

"Victory-C. O. D." through War Bond purchases, was called for on Aug. 27 by Walter D. Fuller, Chairman of the Board of the National Association of Manufacturers. Addressing the joint Industry-Labor Conference on War Savings Bonds at the Hotel Astor, New York City, the N. A. M. Chairman asserted:

"Too many Americans are not investing the dollars they are making out of war production in the cause of democracy. We cannot earn victory cheaply. There are no bargains at the victory counter. We stay-at-homes are either going to pay the full price quickly today and tomorrow and secure immediate results, or we are going to have to pay and pay on the instalment plan, with interest, over all the years of our lives. If each of us does not speedily see the wisdom of victory C. O. D. we can easily wake up to find that we are not going to win at all."

Pointing out that investing dollars in war bonds will also help in the fight against the country's other great enemy—inflation, Mr. Fuller warned that inflation "will continue to increase so long as we American have more and more money to spend and less goods to buy." Calling war savings bonds "the field artillery in our grim battle against inflation," the N. A. M. Chairman said that "if Americans really understood the desperate danger of inflation, they would volunteer their earnings as fighting dollars in war savings bonds and we would not have to resort to price ceilings, wage ceilings and a frozen economy to protect ourselves from ourselves."

Mr. Fuller dismissed as "defeatists" those people who say we are going to have a post-war depression. He continued:

"There is no reason why we must have a post-war depression in America. Instead we can have a long and happy era of prosperity, if we use our common sense and our tools of ingenuity and enterprise. We wil have new and better methods of production. We will have new inventions and new products. And we will have our great tools of selling and marketing and advertising to inform and stimulate trade and commerce.

"Will we have purchasing power? Yes, you can be sure of that. And we can have tremendous purchasing power in the hands of everyone, if we but put away our extra dollars now in war savings bonds. Thus, they will not only become the fighting dollars of today's crisis but they become the effective weapons to defeat inflation and any possibility of a post-war depression."

Moody's Daily Commodity Index

Tuesday, Aug 25	231.2
Wednesday, Aug. 26	230.7
Thursday, Aug. 27	230.5
Friday, Aug. 28	231.1
Saturday, Aug. 29	231.8
Monday, Aug. 31	230.9
Tuesday, Sept. 1	230.6
Two weeks ago, Aug. 18	230.4
Month ago, Aug. 1	229.6
Year ago, Aug. 30	214.2
1941 High—Sept. 9	219.9
Low—Feb. 17	171.6
1942 High—April 9	234.0
Low—Jan. 2	220.0

Federal Reserve Reports Brokers' Balances

The Board of Governors of the Federal Reserve System announced on Aug. 24 that member firms of the New York Stock Exchange carrying margin accounts for customers reported for July a decrease of $5,000,000 in their customers' debit balances and a decrease of $2,000,000 in money borrowed by the reporting firms. During the year ending July 31, 1942, customers' debit balances decreased by $137,000,000 and money borrowed decreased by $81,000,000. The Board added:

Figures of brokers' balances, which have heretofore been collected monthly from all member firms of the New York Stock Exchange that carry margin accounts, and which have been released monthly will hereafter be collected from all but a few of these firms at semi-annual intervals only. Semi-annual figures will be published hereafter,, but this monthly release on brokers' balances is being discontinued.

The Board presents the following summary of the customers' debit balances and principal related items of the member firms of the New York Stock Exchange that carry margin accounts, together with changes for the month and year ended July 31, 1942, follows:

(Ledger Balances in Millions of Dollars)

	July 31, 1942	Increase or decrease Since June 30, 1942	Increase or decrease Since July 31, 1941
Debit Balances:			
Customers' debit balances	491	— 5	—137
Debit balances in firm and partners' investment and trading accounts	102	+ 7	+ 5
Cash on hand and in banks	172	— 8	— 17
Credit Balances:			
Money borrowed	307	— 2	— 81
Customers' credit balances:			
Free	238	— 2	— 28
Other	57	+ 1	— 13
Credit balances in firm and partners' investment and trading accounts	20	——	— 5
Credit balances in capital accounts	185	— 4	— 36

Cottonseed Receipts Continue Small

On Aug. 13 the Bureau of the Census issued the following statement showing cottonseed received, crushed, and on hand, and cottonseed products manufactured, shipped out, on hand, and exported for the twelve months ended with July, 1942 and 1941:

COTTONSEED RECEIVED, CRUSHED, AND ON HAND (TONS)

	Received at mills* Aug. 1 to July 31		Crushed Aug. 1 to July 31		On hand at mills July 31	
	1942	1941	1942	1941	1942	1941
United States	3,959,330	4,489,698	4,008,436	4,398,011	81,423	130,529
Alabama	222,661	210,854	230,245	200,263	3,589	11,173
Arizona	78,234	80,458	78,060	80,249	391	217
Arkansas	476,263	537,503	489,322	518,128	11,871	24,930
California	158,887	201,582	164,207	198,156	1,175	6,495
Georgia	268,898	418,373	284,294	400,589	3,520	18,916
Louisiana	86,094	133,380	85,893	133,108	727	526
Mississippi	568,924	499,802	566,931	502,290	6,019	4,026
North Carolina	215,397	276,740	222,024	270,614	3,109	9,736
Oklahoma	240,145	233,290	236,219	238,266	4,458	532
South Carolina	122,230	275,236	124,540	272,744	698	3,008
Tennessee	398,328	400,235	409,809	380,693	9,187	20,668
Texas	983,008	1,097,210	974,814	1,085,763	35,388	27,194
All other States	140,261	120,035	142,078	117,148	1,291	3,108

*Does not include 130,529 and 39,507 tons on hand Aug. 1 nor 68,845 and 62,209 tons reshipped for 1942 and 1941 respectively. Does include 665 tons destroyed for 1941.

COTTONSEED PRODUCTS MANUFACTURED, SHIPPED OUT, AND ON HAND

Item—	Season	On hand August 1	Produced Aug. 1 to July 31	Shipped out Aug. 1 to July 31	On hand July 31
Crude oil	1941-42	*29,708	1,249,846	1,250,690	*34,167
(thousand pounds)	1940-41	37,352	1,425,471	1,430,142	29,708
Refined oil	1941-42	†294,005	‡1,157,527	------	†310,433
(thousand pounds)	1940-41	493,658	1,344,451	------	294,005
Cake and meal	1941-42	164,444	1,752,663	1,724,197	192,910
(tons)	1940-41	79,501	1,953,589	1,868,646	164,444
Hulls	1941-42	151,439	991,356	1,098,332	44,463
(tons)	1940-41	20,914	1,107,222	976,697	151,439
Linters	1941-42	123,154	1,183,871	1,263,562	43,463
(running bales)	1940-41	129,340	1,207,929	1,214,115	123,154
Hull fiber	1941-42	1,834	31,353	32,961	226
(500-lb. bales)	1940-41	1,215	37,732	37,113	1,834
Grabbots, motes, &c.	1941-42	6,183	55,319	38,298	23,204
(500-lb. bales)	1940-41	12,449	50,005	56,271	6,183

*Includes 13,192,000 and 24,236,000 pounds held by refining and manufacturing establishments and 7,859,000 and 2,118,000 pounds in transit to refiners and consumers Aug. 1, 1941 and July 31, 1942 respectively.

†Includes 7,268,000 and 3,795,000 pounds held by refiners, brokers, agents, and warehousemen at places other than refineries and manufacturing establishments and 3,903,000 and 1,232,000 pounds in transit to manufacturers of shortening, oleomargarine, soap, etc. Aug. 1, 1941 and July 31, 1942 respectively.

‡Produced from 1,239,494,000 pounds of crude oil.

Exports and Imports of Cottonseed Products

In the interest of national defense, the Department of Commerce has decided to discontinue until further notice the publication of statistics concerning imports and exports.

Cotton Ginned from Crop of 1942 Prior to Aug. 16

The census report issued on Aug. 24, compiled from the individual returns of the ginners is shown below:

Number of bales of cotton ginned from the growth of 1942 prior to Aug. 16, 1942, and comparative statistics to the corresponding date in 1941 and 1940.

State	RUNNING BALES (Counting round as half bales and excluding linters) 1942	1941	1940
United States	*232,016	*74,079	*169,465
Alabama	4,706	15,600	837
Florida	1,071	2,099	247
Georgia	28,269	35,064	1,445
Louisiana	3,283	105	5
Texas	193,335	19,110	166,262
All other States	1,352	2,100	669

*Includes 48,626 bales of the crop of 1942 ginned prior to Aug. 1 which was counted in the supply for the season of 1941-42, compared with 1,969 and 32,187 bales of the crops of 1941 and 1940.

The statistics in this report include no round bales for 1942; none for 1941 and 1 for 1940.

The statistics for 1942 in this report are subject to revision when cheked against the individual returns of the ginners being transmitted by mail.

Consumption and Stocks — United States

Cotton consumed during the month of July, 1942, amounted to 995,041 bales. Cotton on hand in consuming establishments on July 31, was 2,252,690 bales, and in public storages and at compresses 7,632,193 bales. The number of active consuming cotton spindles for the month was 23,111,848.

In the interest of national defense, the Department of Commerce has decided to discontinue until further notice the publication of statistics concerning imports and exports.

World Statistics

Because of war conditions and the difficulties in obtaining dependable world statistics such data are being omitted from this report for the time being.

N. Y. Reserve Bank Index At New Peak In July

During July the monthly index of production and trade computed at the Federal Reserve Bank of New York rose three points to a record high of 118% of estimated long term trend, the Bank announced on Aug. 26. The previous peak, 116, occurred in August, 1941, it is noted by the Bank, which adds:

"Each of the major components of the index—production, primary distribution, and distribution to consumer—shared in the advance between June and July.

"The rise in the group index of distribution to consumer, which followed five months of decline, resulted from less than seasonal decreases in sales of department stores and mail order houses.

"Productive activity in July was at a new high level, reflecting a further substantial increase in the output of producers' durable goods, a classification which includes many types of war materials. Production of non-durable goods and of consumers' durable goods held at approximately the June levels."

INDEXES OF PRODUCTION AND TRADE—100—ESTIMATED LONG-TERM TREND

	1941 July	1942 May	1942 *June	1942 *July
Index of production and trade	113	114	115	118
Production	116	121	123	126
Producers' goods—total	123	148	152	156
Producers' durable goods	127	168	177	185
Producers' nondurable goods	120	125	124	124
Consumers' goods—total	107	87	88	83
Consumers' durable goods	114	45	45	44
Consumers' nondurable goods	105	101	102	102
Durable goods—total	123	132	138	143
Nondurable goods—total	111	111	111	111
Primary distribution	116	136	137	140
Distribution to consumer	107	85	83	87
Miscellaneous services	102	124	124	126

*Indexes are preliminary.

Series are adjusted individually for estimated long term trend and seasonal variation; those reported in dollars are also adjusted for price changes.

Tabulations (from 1919, monthly) of the indexes given above are available upon request. Composition and weights are shown on a separate release, "Composition of Production and Trade Indexes." See description in "Journal of the American Statistical Association," June, 1938, pp. 341-8, and September, 1941, pp. 423-5. Reprints available upon request.

Electric Output For Week Ended Aug. 29, 1942 Shows 11.6% Gain Over Same Week In 1941

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Aug. 29, 1942, was 3,639,961,000 kwh., which compares with 3,261,149,000 kwh., in the corresponding period in 1941, a gain of 11.6%. The output for the week ended Aug. 22, 1942, was estimated to be 3,673,717,000 kwh., an increase of 13.7% over the corresponding week in 1941.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

Major Geographical Divisions—	Week Ended Aug. 29, '42	Aug. 22, '42	Aug. 15, '42	Aug. 8, '42
New England	6.2	6.2	6.2	3.9
Middle Atlantic	5.9	10.9	9.7	7.0
Central Industrial	8.8	9.4	7.3	7.5
West Central	10.4	8.7	4.3	4.8
Southern States	15.6	19.0	21.9	23.5
Rocky Mountain	8.1	8.9	8.3	7.6
Pacific Coast	24.8	27.1	25.5	24.6
Total United States	11.6	13.7	12.9	12.5

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1942	1941	% Change 1942 over 1941	1940	1932	1929
Jun 6	3,372,374	3,076,323	+ 9.6	2,598,812	1,435,471	1,689,925
Jun 13	3,463,528	3,101,291	+11.7	2,664,853	1,441,532	1,699,227
Jun 20	3,433,711	3,091,672	+11.1	2,653,788	1,440,541	1,702,501
Jun 27	3,457,024	3,156,825	+ 9.5	2,659,825	1,456,961	1,723,428
July 4	3,424,188	2,903,727	+17.9	2,425,229	1,341,730	1,592,075
July 11	3,428,918	3,178,054	+ 7.9	2,651,626	1,415,704	1,711,625
July 18	3,565,367	3,199,105	+11.4	2,681,071	1,433,993	1,727,225
July 25	3,625,645	3,220,526	+12.6	2,760,935	1,440,386	1,723,031
Aug 1	3,649,146	3,263,082	+11.8	2,762,240	1,426,986	1,724,728
Aug 8	3,637,070	3,233,242	+12.5	2,743,284	1,415,122	1,729,667
Aug 15	3,654,795	3,238,160	+12.9	2,745,697	1,431,910	1,733,110
Aug 22	3,673,717	3,230,750	+13.7	2,714,193	1,436,440	1,750,056
Aug 29	3,639,961	3,261,149	+11.6	2,736,224	1,464,700	1,761,594

Steel Output Continues To Rise—Delivery Schedules Uncertain—WPB's Constructive Step

"In some steel-making areas there was concern this week lest changes in WPB personnel mark the beginning of an entirely new procedure for establishing the sequence of deliveries from steel plants to war fabricating plants," says "The Iron Age" in its issue today (Sept. 3.) "With the industry only beginning to emerge from the convulsions of the PRP and allocation classification changeover, another change at this time would disrupt efforts at common-sense scheduling of shipments to vital war factories and shipyards; yet such a new procedure may come," continues the "Age," which further goes on to say in part:

"Steps to centralize issuance of priorities in WPB's hands is taken to be a constructive step. Mr. Nelson has already set Sept. 7 as the date on which authority of the Army and Navy Procurement Officers to assign priority ratings in the field will end. Thereafter all contracts placed by the armed services will be rated by priorities specialists in the regional and district offices of WPB.

"Various steel centers report that electric furnace alloy steels still are rated as the tightest of all steel products, followed by plates. Piling and shapes are now on the 'very' critical list. Shipyard demand for plates is increasing.

"Volume of incoming orders for most steel companies showed little change from July. Cancellations have increased, with one mill reporting such tonnage equalling more than 5% of new orders. This is believed to be the backing up of demand resulting from the priority downgrading under PRP, and the realization by an increasing number of steel consumers that they will not be able to get steel.

"In order to permit an increase in steel bar tonnage, pipe output for September is likely to be lower as will production of reinforcing bars. There are few changes in the sheet and strip allocations for this month. September plate allocation was approximately 10% below the July total, making the current month the second in which plate output will have declined. Plate inventories at some shipyards and warehouses are being called on to make up the difference in plate output and demand.

"As September begins, with Labor Day shutdowns likely to be set aside this year in many plants, both the scrap shortage and the spread of strikes are causing concern. This week one large steel company had turned its hundreds of salesmen loose on an iron and steel scrap hunt. Scrap supplies at several points, including Chicago and Cleveland, fell to a dangerously low point for some mills, arousing fears that openhearths would have to be dropped until Government allocations of scrap can be arranged."

The American Iron and Steel Institute on Aug. 31 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 91% of the steel capacity of the industry will be 97.6% of capacity for week beginning Aug. 31 compared with 97.3% one week ago, 95.8% one month ago and 96.3% one year ago. This represents an increase of 0.3 points or 0.3% from the preceding week. The operating rate for the week beginning Aug. 31 is equivalent to 1,669,600 tons of steel ingots and castings, compared to 1,664,500 tons one week ago, 1,639,200 tons one month ago, and 1,591,100 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Aug. 31 stated in part: "Delivery schedules are in a state of flux as a result of rerating and changes incident to applying the quota system and PRP. Although application of new ratings is being done selectively the upper range is nearly as crowded as was the case when A-1-a represented the top.

"Steel producers find it increasingly difficult to make definite delivery promises and some do not attempt it on receipt of the order, even under AA-1 ratings. This presents difficulties for consumers but producers insist that short of definite directives or allocations they can not know what they will be able to do.

"There is not only the matter of reratings, which continues a disturbing factor, but uncertainty at the moment as to September production directives under the quota system and the question of special directives and allocations, although it is claimed these will be greatly reduced or eliminated.

"Some mills have adopted a policy of not only making no promise on acceptance of the order but of giving no assurance of shipment until the order is definitely scheduled, which may mean as late as within two weeks of delivery.

"Scrap collections continue to supply material to sustain operations of steel mills at a high rate but the margin is close in many cases."

Weekly Coal and Coke Production Statistics

The Bituminous Coal Division, U. S. Department of the Interior, in its latest report, states that production of soft coal in the week ended Aug. 22 is estimated at 10,850,000 net tons, a decrease of 380,000 tons, or 3.4%, from the preceding week. Output in the corresponding week of 1941 amounted to 10,974,000 tons. Total production of soft coal to date shows an increase of 18.9% over the same period last year.

According to the U. S. Bureau of Mines, production of Pennsylvania anthracite for the week ended Aug. 22 was estimated at 1,179,000 tons, a decrease of 82,000 tons (6.5%) from the preceding week. When compared with the output in the corresponding week of 1941, there was a decrease of 126,000 tons or 9.7%. The calendar year to date shows a gain of 7.3%, compared with with the same period last year.

The U. S. Bureau of Mines also reported that the estimated production of byproduct coke in the United States for the week ended Aug. 22 showed a decrease of 5,100 tons when compared with the output for the week ended Aug. 15. The quantity of coke from beehive ovens increased 13,300 tons during the same period.

ESTIMATED UNITED STATES PRODUCTION OF COAL, IN NET TONS WITH COMPARABLE DATA ON PRODUCTION OF CRUDE PETROLEUM (000 OMITTED)

	Week Ended			January 1 to Date		
Bituminous and lignite coal—	Aug. 22, 1942	Aug. 15, 1942	Aug. 23, 1941	†Aug. 22, 1942	Aug. 23, 1941	Aug. 21, 1937
Total, incl. mine fuel	10,850	11,230	10,974	366,428	308,116	279,621
Daily average	1,808	1,872	1,829	1,864	1,574	1,424
*Crude Petroleum—						
Coal equivalent of weekly output	6,362	6,237	6,368	207,136	199,924	183,938

*Total barrels produced during the week converted into equivalent coal assuming 6,000,000 B.t.u. per barrel of oil and 13,100 B.t.u. per pound of coal. Note that most of the supply of petroleum products is not directly competitive with coal (Minerals Yearbook, 1939, page 702). †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn anthracite—	§Aug. 22, 1942	Aug. 15, 1942	Aug. 23, 1941	§Aug. 22, 1942	Aug. 23, 1941	Aug. 24, 1929
*Total, incl. colliery fuel	1,179,000	1,261,000	1,305,000	38,560,000	35,930,000	44,445,000
†Commercial production	1,120,000	1,198,000	1,240,000	36,632,000	34,134,000	31,245,000
Beehive coke—						
United States total	149,400	136,100	165,600	5,057,500	4,064,400	4,474,700
By-product coke—						
United States total	1,209,300	1,214,400	‡	39,445,800	‡	‡

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Comparable data not available. §Subject to revision.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES

[In Thousands of Net Tons]

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended					August avge.
State—	Aug. 15, 1942	Aug. 8, 1942	Aug. 16, 1941	Aug. 17, 1940	Aug. 14, 1937	¶1923
Alaska	5	5	6	4	3	**
Alabama	385	380	331	271	257	397
Arkansas and Oklahoma	87	84	85	80	58	81
Colorado	143	144	107	105	82	173
Georgia and North Carolina	1	††	1	††	††	**
Illinois	1,135	1,102	1,058	845	700	1,363
Indiana	463	458	446	343	261	440
Iowa	40	40	40	56	44	100
Kansas and Missouri	168	162	147	103	100	145
Kentucky—Eastern	937	923	953	881	694	765
Kentucky—Western	234	221	213	164	126	217
Maryland	36	37	34	28	27	44
Michigan	6	4	14	10	6	21
Montana (bituminous and lignite)	77	78	54	46	44	50
New Mexico	33	33	22	11	29	49
North and South Dakota (lignite)	24	25	24	20	19	**20
Ohio	678	683	642	486	416	871
Pennsylvania (bituminous)	2,724	2,696	2,802	2,336	2,077	3,734
Tennessee	147	133	149	120	87	118
Texas (bituminous and lignite)	6	6	8	10	21	24
Utah	111	111	89	84	52	83
Virginia	402	402	407	316	269	248
Washington	38	38	32	26	30	47
*West Virginia—Southern	2,277	2,180	2,364	1,982	1,729	1,515
†West Virginia—Northern	916	855	832	639	523	875
Wyoming	157	140	122	96	83	154
‡Other Western States	††	††	1	††	1	**4
Total bituminous and lignite	11,230	10,940	10,983	9,062	7,738	11,538
§Pennsylvania anthracite	1,261	1,227	1,218	952	634	1,926
Total, all coal	12,491	12,167	12,201	10,014	8,372	13,464

*Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. †Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. ‡Includes Arizona, California, Idaho, Nevada, and Oregon. §Data for Pennsylvania anthracite from published records of the Bureau of Mines. ¶Average weekly rate for entire month. **Alaska, Georgia, North Carolina, and South Dakota included with "other Western States." ††Less than 1,000 tons.

Wholesale Commodities Continued At High 1926 Level, Labor Bureau Reports

The Bureau of Labor Statistics, U. S. Department of Labor, announced on Aug. 27 that prices in primary markets continued at the highest level in nearly 16 years in the week ended Aug. 22, and the Bureau's index of wholesale prices remained unchanged at 98.9% of the 1926 average.

During the week the principal activity was again in agricultural markets where prices of such important farm products as livestock, poultry, butter, and eggs, which are not subject to price control, continued at levels approximating those in the boom years of 1920 and 1929. The grain markets weakened on reports of unusually large crops, and there were seasonal declines in prices for fresh fruits and vegetables. With the continued high level of prices for farm products, prices of foods not under the Office of Price Administration regulation advanced further both in wholesale and retail markets in mid-August.

Meanwhile, prices for industrial commodities, which are largely subject to control, continued stable. Only a few price changes were reported during the week, and those were for the most part downward.

During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The Bureau makes the following notation:

The following table shows index numbers for the principal groups of commodities for the past 3 weeks, for July 25, 1942 and Aug. 23, 1941 and the percentage changes from a week ago, a month ago, and a year ago:

(1926=100)

						Percentage changes to Aug. 22, 1942 from—		
Commodity Groups—	8-22 1942	8-15 1942	8-8 1942	7-25 1942	8-23 1941	8-15 1942	7-25 1942	8-23 1941
All Commodities	*98.9	*98.9	*98.6	*98.4	90.0	0	+0.5	+ 9.9
Farm products	106.4	106.0	105.4	105.4	86.7	+0.4	+0.9	+22.7
Foods	100.8	100.5	99.7	98.9	87.0	+0.3	+1.9	+15.9
Hides and leather products	118.9	118.8	118.8	118.8	110.8	+0.1	+0.1	+ 7.3
Textile products	96.5	96.5	96.5	96.8	87.3	0	—0.3	+10.5
Fuel and lighting materials	79.6	79.7	79.6	79.5	79.8	—0.1	+0.1	— 0.3
Metals and metal products	*103.9	*103.9	*103.9	*103.9	98.6	0	0	+ 5.4
Building materials	110.3	110.2	110.2	110.1	105.2	+0.1	+0.2	+ 4.8
Chemicals and allied products	96.2	96.3	96.3	96.4	85.9	—0.1	—0.2	+12.0
Housefurnishing goods	104.1	104.1	104.4	104.4	96.8	0	—0.3	+ 7.5
Miscellaneous commodities	88.6	89.0	88.9	89.6	83.6	—0.4	—1.1	+ 6.0
Raw materials	101.0	100.8	100.4	99.8	86.9	+0.2	+1.2	+16.2
Semimanufactured articles	92.6	92.6	92.6	92.6	89.4	0	0	+ 3.6
Manufactured products	*99.1	*99.1	*98.9	*98.8	91.8	0	+0.3	+ 8.0
All commodities other than farm products	*97.3	*97.3	*97.2	*96.9	90.7	0	+0.4	+ 7.3
All commodities other than farm products and foods	*95.7	*95.8	*95.7	*95.9	90.9	—0.1	—0.2	+ 5.3

*Preliminary.

New York Stock Exchange Odd-Lot Trading

The Securities and Exchange Commission has made public a summary for the weeks ended Aug. 15 and 22, of complete figures showing the daily volume of stock transactions for the odd-lot account of all odd-lot dealers and specialists who handle odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE NEW YORK STOCK EXCHANGE

Week Ended—		
Odd-lot Sales by Dealers: (Customers' Purchases)	Aug. 15	Aug. 22
Number of orders	7,518	9,360
Number of shares	198,492	255,816
Dollar value	7,280,159	9,162,790
Odd-lot Purchases by Dealers: (Customers' Sales)		
Number of orders:		
Customers' short sales	72	89
*Customers' other sales	8,629	9,619
Customers' total sales	8,701	9,708
Number of shares:		
Customers' short sales	2,317	3,221
*Customers' other sales	215,397	252,844
Customers' total sales	217,714	256,065
Dollar value	6,209,558	7,086,686
Round-lot Sales by Dealers:		
Number of shares:		
Short sales	300	150
†Other sales	65,130	76,860
Total sales	65,430	77,010
Round-lot Purchases by Dealers:		
Number of shares	55,700	76,560

*Sales marked "short exempt" are reported with "other sales." †Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

National Fertilizer Association Commodity Price Index Unchanged

The weekly wholesale commodity price index compiled by the National Fertilizer Association and made public on Aug. 31, remained unchanged at a high level last week. This index, in the week ended Aug. 29, 1942, stood at 129.0% of the 1935-1939 average, the same as in the preceding week. It registered 129.3 a month ago, and 115.3 a year ago. The Association's report went on to say:

Although there were fractional declines in several industrial groups as well as in the farm products group, the advance in the foods group was enough to hold the general index to the same level as it was in the preceding week. The food price index advanced to a new high level; last week price advances took place in butter, eggs, corn meal, prunes, veal, lamb, and chickens. This index is now 12% higher than at the beginning of the year. The farm products index turned downward, due primarily to lower cotton and grain prices. These more than offset an advance in livestock quotations. Other declines were recorded by the indexes representitng the prices of textiles and building materials.

During the week changes in the index were quite evenly balanced, with 10 price series declining and 9 advancing; in the preceding week there were 17 advances and 8 declines; in the second preceding week there were 16 advances and 13 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX

Compiled by The National Fertilizer Association

[*1935-1939 = 100]

% Each Group Bears to the Total Index	Group	Latest Week Aug. 29 1942	Preceding Week Aug. 22 1942	Month Ago July 25 1942	Year Ago Aug. 30 1941
25.3	Foods	130.0	129.7	127.6	112.5
	Fats and Oils	141.3	141.2	139.1	122.0
	Cottonseed Oil	158.4	158.4	159.6	143.6
23.0	Farm Products	139.6	140.0	137.1	118.3
	Cotton	174.9	178.0	181.2	156.9
	Grains	111.4	112.2	111.4	105.2
	Livestock	140.9	140.4	135.4	114.2
17.3	Fuels	118.8	118.8	125.4	110.6
10.8	Miscellaneous commodities	126.8	126.8	127.5	124.4
8.2	Textiles	146.9	147.4	147.8	136.9
7.1	Metals	104.4	104.4	104.4	103.8
6.1	Building materials	151.4	151.5	151.6	119.5
1.3	Chemicals and drugs	120.7	120.7	120.7	106.3
.3	Fertilizer materials	117.8	117.8	117.9	112.7
.3	Fertilizers	115.3	115.3	115.3	107.1
.3	Farm machinery	104.1	104.1	104.1	99.3
100.0	All groups combined	129.0	129.0	129.3	115.3

*Indexes on 1926-1928 base were: Aug. 29, 100.5; Aug. 22, 100.5, Aug. 30, 1941, 89.8.

Co. Earnings Down 20% In First Half

The impact of higher taxes upon net income of corporations with common stocks listed on the New York Stock Exchange was heavy, as expected, during the first half of 1942 with a notable exception . . . the railroads, according to the August issue of "The Exchange" magazine, published by the New York Stock Exchange. Among the groups arranged by industries, it is pointed out in the article, the rails, despite wage increases that applied throughout the period, scored a gain of more than 42% in net income over the same six months of last year, reflecting heavy war traffic and economies in train loading. The article adds:

"But railroads felt the heavy hand of the tax collector along with industrial companies and the wage increases which went into effect in the later months of 1941 acted to slow down the pace of rail net income compared with last year's. In the first half of 1941 the increase over 1940's corresponding period was no less than 379%.

"The results disclosed in the table of the 450 listed corporations by groups offers an almost complete reversal of last year's earnings' picture as of the end of June. For the initial half of 1941, every group except one showed gains in percentages of net income. While the rails then stood head and shoulders above all others, still many recorded strong advances over the first six months of 1940.

"The chemical group . . . 32% lower this year . . . gained 5.6% in the first half last year. The building construction group . . . 34.7% lower this year . . . was higher by 59.1% last year over the first half of 1940. The steel, iron and coke department of the list . . . off 40.2% this year . . . swung upward to the extent of 67.1% in the first 1941 half-year over the same period of 1940.

"The corporations took into account the House revenue bill figures in calculating excess profits taxes and surtaxes. As the 1942 tax statute still remains to be prepared in exact terms, it apparently has been assumed that rates prescribed by the House afford a view of the maximum burden on corporate incomes for this year.

"Despite the large tax allowances, no less than 437 of the 450 corporations were able to report profits for the half-year; and while some abrupt and substantial reversals occurred, the average decline of net income of the groups as a whole was less than 20%. This showing went far in countering the prophets of gloom who, a year ago, were decidedly doleful about the chances of many companies to make any money at all during the first full war year. A 20% decline from a high earnings' level, such as the first six months of 1941 produced, is far from calamitous."

Open New Women's Hotel

The new Meridian Hill Hotel in Washington, built to house women Government workers, was officially opened recently by Mrs. Eleanor Roosevelt, wife of the President. The hotel was built by the Defense Homes Corporation, a subsidiary of the Reconstruction Finance Corporation, at a total cost for the structure and the grounds of $1,750,000. The room rentals, orginally set at $7.50 to $9 on a weekly scale, are now fixed at $6.50 to $8.75.

More than 80% of the 600 women already living in the hotel are earning yearly salaries of $1,800 or less.

Previous reference to the building of another hotel for women workers, with funds advanced by the RFC, was made in these columns May 14, page 1864.

Trading On New York Exchanges

The Securities and Exchange Commission has made public figures showing the daily volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the weeks ended Aug. 8 and Aug. 15, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

The data published are based upon weekly reports filed with the New York Stock Exchange and the New York Curb Exchange by their respective members. These reports are classified as follows:

	N. Y. Stock Exchange Weeks Ending Aug. 8	N. Y. Stock Exchange Weeks Ending Aug. 15	N. Y. Curb Exchange Weeks Ending Aug. 8	N. Y. Curb Exchange Weeks Ending Aug. 15
Total number of reports received	971	967	683	680
1. Reports showing transactions as specialists	167	158	79	76
2. Reports showing other transactions initiated on the floor	119	117	11	12
3. Reports showing other transactions initiated off the floor	146	131	41	29
4. Reports showing no transactions	610	625	554	564

Note—On the New York Curb Exchange, odd-lot transactions are handled solely by specialists in the stocks in which they are registered and the round-lot transactions of specialists resulting from such odd-lot transactions are not segregated from the specialists' other round-lot trades. On the New York Stock Exchange, on the other hand, all but a fraction of the odd-lot transactions are effected by dealers engaged solely in the odd-lot business. As a result, the round-lot transactions of specialists in stocks in which they are registered are not directly comparable on the two exchanges.

The number of reports in the various classifications may total more than the number of reports received because a single report may carry entries in more than one classification.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

Weeks Ending Aug. 8 and 15, 1942

	Total for Week	† Per Cent	Total for Week	†Per Cent
A. Total Round-Lot Sales:				
Short sales	37,330		37,630	
‡Other sales	1,474,910		1,650,250	
Total sales	1,512,240		1,687,880	
B. Round-Lot Transactions for the Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:				
1. Transactions of specialists in stocks in which they are registered—				
Total purchases	107,240		126,290	
Short sales	20,980		16,980	
‡Other sales	93,540		92,790	
Total sales	114,520	7.33	109,770	6.99
2. Other transactions initiated on the floor—				
Total purchases	45,810		67,180	
Short sales	4,340		4,740	
‡Other sales	43,670		54,680	
Total sales	48,010	3.10	59,420	3.75
3. Other transactions initiated off the floor—				
Total purchases	43,560		47,154	
Short sales	7,120		5,600	
‡Other sales	72,105		44,980	
Total sales	79,225	4.06	50,580	2.90
4. Total—				
Total purchases	196,610		240,624	
Short sales	32,440		27,320	
‡Other sales	209,315		192,450	
Total sales	241,755	14.49	219,770	13.64

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

Weeks Ending Aug. 8 and 15, 1942

	Total for Week	† Per Cent	Total for Week	†Per Cent
A. Total Round-Lot Sales:				
Short sales	2,065		1,045	
‡Other sales	243,507		254,915	
Total sales	245,572		255,960	
B. Round-Lot Transactions for the Account of Members:				
1. Transactions of specialists in stocks in which they are registered—				
Total purchases	17,645		22,280	
Short sales	1,980		570	
‡Other sales	22,385		25,215	
Total sales	24,365	8.55	25,785	9.39
2. Other transactions initiated on the floor—				
Total purchases	2,010		1,630	
Short sales	75		0	
‡Other sales	5,235		1,100	
Total sales	5,310	1.49	1,100	0.53
3. Other transactions initiated off the floor—				
Total purchases	12,050		7,950	
Short sales	0		0	
‡Other sales	10,675		12,070	
Total sales	10,675	4.63	12,070	3.91
4. Total—				
Total purchases	31,705		31,860	
Short sales	2,055		570	
‡Other sales	38,295		38,385	
Total sales	40,350	14.67	38,955	13.83
C. Odd-Lot Transactions for the Account of Specialists—				
Customers' short sales	0		0	
§Customers' other sales	19,881		20,306	
Total purchases	19,881		20,306	
Total sales	10,308		11,270	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†Shares in members' transactions as per cent of twice total round-lot volume. In calculating these percentages, the total members' transactions is compared with twice the total round-lot volume on the Exchange for the reason that the total of members' transactions includes both purchases and sales, while the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Daily Average Crude Oil Production For Week Ended Aug. 22, 1942 Gained 78,250 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Aug. 22, 1942, was 3,971,700 barrels, an increase of 78,250 barrels per day over the preceding week. The current figure, however, showed a decline of 3,750 barrels when compared with the output for the corresponding week of 1941, and was also 66,800 barrels below the daily average figure for the month of August, 1942, as recommended by the Office of Petroleum Coordinator. Daily production for the four weeks ended Aug. 22, 1942, averaged 3,804,650 barrels. Further details as reported by the Institute follow:

Reports received from refining companies owning 85.6% of the 4,800,000 barrels estimated daily potential refining capacity of the United States, indicate that the industry as a whole ran to stills, on a Bureau of Mines' basis, 3,723,000 barrels of crude oil daily during the week ended Aug. 22, 1942, and that all companies had in storage at refineries, bulk terminals, in transit and in pipe lines as of the end of that week, 80,443,000 barrels of finished and unfinished gasoline. The total amount of gasoline produced by all companies is estimated to have been 11,255,000 barrels during the week ended Aug. 22, 1942.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*O.P.C. Recommendations August	*State Allowables Beginning Aug. 1	—Actual Production— Week Ended Aug. 22 1942	—Actual Production— Change From Previous Week	**4 Weeks Ended** Aug. 22 1942	**Week Ended** Aug. 23 1941
Oklahoma	415,500	415,500	†380,150	+ 3,400	382,400	427,400
Kansas	281,900	281,900	†297,000	+ 6,250	281,000	254,550
Nebraska	4,100	------	†3,300	— 100	3,450	7,350
Panhandle Texas			93,900	— 850	88,600	75,000
North Texas			137,300	— 1,550	138,600	131,050
West Texas			224,550	+ 2,900	208,050	273,150
East Central Texas			89,250	— 5,650	87,650	84,600
East Texas			360,000	— 300	339,600	369,600
Southwest Texas			198,100	+ 16,100	165,950	218,750
Coastal Texas			298,200	+ 6,900	265,500	289,250
Total Texas	¶1,396,700	‡1,388,021	1,401,300	+ 17,550	1,293,950	1,441,400
North Louisiana			97,050	+ 200	96,850	78,300
Coastal Louisiana			240,050	+ 4,300	236,250	249,000
Total Louisiana	332,600	350,600	337,100	+ 4,500	333,100	327,300
Arkansas	81,600	72,072	72,100	— 450	72,400	74,350
Mississippi	50,000		†76,550	— 1,150	77,850	48,000
Illinois	289,300		274,700	+ 19,700	271,450	385,600
Indiana	20,600		†18,300	+ 1,350	18,150	21,000
Eastern (not includ. Ill. & Ind.)	110,000		97,150	— 100	97,350	90,800
Michigan	66,800		63,300	+ 200	62,800	42,000
Wyoming	95,000		90,450	+ 2,750	90,200	83,200
Montana	22,700		22,900	— 300	22,750	20,300
Colorado	7,200		6,800	+ 100	6,700	3,900
New Mexico	97,300	97,300	95,300	+ 21,850	77,500	113,700
Total East of Calif.	3,271,300		3,236,400	+ 75,550	3,091,050	3,340,850
California	767,200	§767,200	735,300	+ 2,700	713,600	634,600
Total United States	4,038,500		3,971,700	+ 78,250	3,804,650	3,975,450

*O. P. C. recommendations and state allowables represent the production of all petroleum liquids, including crude oil, condensate and natural gas derivatives recovered from oil, condensate and gas fields. Past records of production indicate, however, that certain wells may be incapable of producing the allowables granted, or may be limited by pipeline proration. Actual State production would, under such conditions, prove to be less than the allowables. The Bureau of Mines reported the daily average production of natural gasoline in May, 1942, as follows: Oklahoma, 28,100; Kansas, 4,600; Texas, 97,500; Louisiana, 17,900; Arkansas, 2,700; New Mexico, 5,200; California, 40,000; other States, 20,700.

†Oklahoma, Kansas, Nebraska, Mississippi, Indiana figures are for week ended 7 a.m. Aug. 19.

‡As provided for in the original order of the Texas Railroad Commission, this is the net basic allowable as of Aug. 1 calculated on a 31-day basis and including shutdowns and exemptions for the entire month. Shutdown was ordered for Aug. 8, 9, 15, 16, 22, 23, 29, 30 and 31. A revised order was issued, effective Aug. 8, increasing the allowable to approximately 1,482,433 barrels and lifting the shutdowns in certain fields for Aug. 8, 22, 23, 29, 30 and 31.

§Recommendation of Conservation Committee of California Oil Producers.

¶Later press reports indicate that this figure was revised upward to approximately 1,456,700.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE AND GAS AND FUEL OIL, WEEK ENDED AUG. 22, 1942

(Figures in Thousands of Barrels of 42 Gallons Each)

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	Gasoline Production at Refineries Includ. Natural Blended	Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuels	‡Stocks of Residual Fuel Oil
			Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis					
*Combin'd: East Coast, Texas Gulf, Louisiana Gulf, North Louisiana - Arkansas and Inland Texas	2,440	88.2	1,685	69.1	4,882	38,405	20,125	18,284
Appalachian	176	84.8	167	94.9	403	2,854	596	511
Ind., Ill., Ky.	804	83.3	757	94.2	2,591	14,584	5,423	3,723
Okla., Kansas, Mo.	416	80.1	372	89.4	1,301	6,981	1,716	1,305
Rocky Mountain	147	48.0	88	59.9	307	2,016	425	545
California	817	89.9	654	80.0	1,771	15,603	12,131	53,639
Tot. U. S. B. of M. basis, Aug. 22, 1942	4,800	85.6	3,723	77.6	11,255	†80,443	40,416	78,007
Tot. U. S. B. of M. basis, Aug. 15, 1942	4,800	85.6	3,711	77.3	11,125	80,708	40,041	77,422
U. S. Bur. of Mines basis, Aug. 23, 1941			4,041		13,577	81,194	46,081	92,996

*At the request of the Office of Petroleum Coordinator.

†Finished 72,030,000 barrels; unfinished 8,413,000 barrels.

‡At refineries, at bulk terminals, in transit, and in pipe lines.

Non-Ferrous Metals—Price Ceiling On Imports Of Foreign Silver To Be Increased

Editor's Note.—At the direction of the Office of Censorship certain production and shipment figures and other data have been omitted for the duration of the war.

"E. & M. J. Metal and Mineral Markets," in its issue of Aug. 27, stated: "With demand for silver for industrial uses expanding, the authorities in Washington hope to stimulate production outside of the United States and raise imports by lifting the price of foreign metal 10¢ an ounce to the basis of 45¢, New York or San Francisco. (The higher import basis became effective on the last day of August—Ed.) Except for exploring methods for increasing domestic output of strategic metals and maintaining a full labor force at the mines, mills, and smelters, the domestic situation showed little change during the last week. The publication further went on to say in part:

Copper

September copper allocations began to move in some directions yesterday, or several days later than first expected. Quotations on domestic metal continued on the basis of 12¢, Valley, with foreign copper moving to Metals Reserve at 11.75, f.a.s. United States ports.

Adjustments to the power-expansion program were announced by the War Production Board last week. Projects not urgently needed will be given lower priority ratings to conserve on copper.

Use of copper or copper alloys to manufacture parts for fuses other than current carrying parts has been prohibited.

Lead

Producers conferred with WPB officials on Aug. 27 in reference to September allocations, as a little more Metals Reserve metal will be required to fill the needs of consumers than the tonnage released in August. The price situation was unchanged, common lead continuing at 6.50¢, New York, and 6.35¢, St. Louis.

Zinc

Both High Grade and the common grades of zinc are now in Group 1 of the scarcity list of the conservation division of WPB. In the preceding list, issued about a month ago, only High Grade zinc was classed as being in a critical position. Prime Western was unchanged pricewise at 8¼¢, East St. Louis.

Tin

The trend in use of tin continues downward, owing to the conservation program of WPB. The price situation shows no change.

Straits quality tin for future delivery was nominally as follows:

	Aug.	Sept.	Oct.
Aug. 20	52.000	52.000	52.000
Aug. 21	52.000	52.000	52.000
Aug. 22	52.000	52.000	52.000
Aug. 24	52.000	52.000	52.000
Aug. 25	52.000	52.000	52.000
Aug. 26	52.000	52.000	52.000

Chinese tin, 99% spot, 51.125¢ all week.

Quicksilver

There were no new developments in the quicksilver situation. Production is being maintained at a high rate, trade authorities claim, and supplies are ample for current needs. Quotations in New York continued at $194.43 to $198.08 per flask.

Silver

Producers of silver operating outside of the United States were interested in a news item from Washington to the effect that the governments of the United States and Mexico have agreed in principle to an increase in the price at which silver may be imported into the United States from 35⅜¢ an ounce to 45¢ an ounce, f.o.b. New York or San Francisco. The trade believes that this action will result in a general price advance in foreign silver to encourage production and aid in various ways to strengthen countries benefiting from the move financially. (The higher price became effective Aug. 31.)

The silver market in London was steady, with the price unchanged at 23½d. The New York Official and the U. S. Treasury prices were also unchanged at 35⅛¢ and 35¢, respectively.

Daily Prices

The daily prices of electrolytic copper (domestic and export, refinery), lead, zinc and Straits tin were unchanged from those appearing in the "Commercial and Financial Chronicle" of July 31, 1942, page 380.

Revenue Freight Car Loadings During Week Ended Aug. 22, 1942 Totaled 869,404 Cars

Loading of revenue freight for the week ended Aug. 22, totaled 869,404 cars, the Association of American Railroads announced on Aug. 27. This was a decrease below the corresponding week in 1941 of 30,384 cars or 3.4%, but an increase above the same week of 1940 of 108,296 cars or 14.2%.

Loading of revenue freight for the week of Aug. 22 increased 559 cars or 0.1% above the preceding week.

Miscellaneous freight loading totaled 402,713 cars, an increase of 5.785 cars above the preceding week, and an increase of 25,786 cars above the corresponding week in 1941.

Loading of merchandise less than carload lot freight totaled 89,547 cars, a decrease of 441 cars below the preceding week, and a decrease of 67,555 cars below the corresponding week in 1941.

Coal loading amounted to 160,711 cars, a decrease of 6,334 cars below the preceding week, and a decrease of 8,980 cars below the corresponding week in 1941.

Grain and grain products loading totaled 49,672 cars, an increase of 4,988 cars above the preceding week, and an increase of 6,047 cars above the corresponding week in 1941. In the Western Districts alone, grain and grain products loading for the week of Aug. 22 totaled 35,033 cars, an increase of 4,456 cars above the preceding week, and an increase of 4,308 cars above the corresponding week in 1941.

Live stock loading amounted to 14,731 cars, an increase of 1,252 cars above the preceding week, and an increase of 2,717 cars above the corresponding week in 1941. In the Western Districts alone, loading of live stock for the week of Aug. 22 totaled 11,131 cars, an increase of 1,135 cars above the preceding week, and an increase of 2,257 cars above the corresponding week in 1941.

Forest products loading totaled 52,030 cars, a decrease of 2,567 cars below the preceding week, but an increase of 1,561 cars above the corresponding week in 1941.

Ore loading amounted to 85,997 cars, a decrease of 2,427 cars below the preceding week, but an increase of 8,978 cars above the corresponding week in 1941.

Coke loading amounted to 14,003 cars, an increase of 303 cars above the preceding week, and an increase of 1,062 cars above the corresponding week in 1941.

All districts reported decreases compared with the corresponding week in 1941, except the Centralwestern and Southwestern but all districts reported increases over 1940.

	1942	1941	1940
Five weeks of January	3,858,273	3,454,409	3,215,565
Four weeks of February	3,122,773	2,866,565	2,465,685
Four weeks of March	3,171,439	3,066,011	2,489,280
Four weeks of April	3,351,038	2,793,630	2,495,212
Five weeks of May	4,170,713	4,160,060	3,351,840
Four weeks of June	3,385,769	3,510,057	2,896,953
Four weeks of July	3,221,568	3,413,435	2,822,450
Week of Aug. 1	833,528	883,022	717,927
Week of Aug. 8	849,752	878,505	727,073
Week of Aug. 15	868,845	890,337	743,050
Week of Aug. 22	869,404	899,788	761,103
Total	27,833,102	26,814,819	22,686,143

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Aug. 22, 1942 During this period only 51 roads showed increases when compared with the corresponding week last year.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS)—WEEK ENDED AUG. 22

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1942	1941	1940	1942	1941
Eastern District—					
Ann Arbor	321	563	612	1,292	1,350
Bangor & Aroostook	916	861	868	192	260
Boston & Maine	5,953	9,090	7,239	13,713	13,239
Chicago, Indianapolis & Louisville	1,533	1,730	1,448	1,917	2,503
Central Indiana	24	14	15	84	65
Central Vermont	972	1,491	1,213	2,436	2,634
Delaware & Hudson	6,238	7,053	5,612	11,242	10,923
Delaware, Lackawanna & Western	7,501	9,972	8,433	10,198	8,631
Detroit & Mackinac	411	320	417	157	83
Detroit, Toledo & Ironton	1,442	1,895	1,745	1,214	1,290
Detroit & Toledo Shore Line	312	345	289	2,703	3,536
Erie	11,919	15,583	13,525	16,361	15,711
Grand Trunk Western	4,675	4,913	4,954	8,401	8,712
Lehigh & Hudson River	191	187	194	3,495	2,535
Lehigh & New England	2,168	2,458	1,792	2,537	2,004
Lehigh Valley	9,020	10,412	8,712	15,002	10,608
Maine Central	2,276	3,233	2,613	2,379	2,444
Monongahela	6,176	6,458	4,953	379	378
Montour	2,227	2,432	2,329	26	38
New York Central Lines	49,210	51,892	41,985	55,398	52,244
N. Y., N. H. & Hartford	9,337	12,361	9,550	21,092	16,452
New York, Ontario & Western	935	1,210	1,224	2,421	2,326
New York, Chicago & St. Louis	8,046	7,174	5,851	15,989	13,960
N. Y., Susquehanna & Western	377	481	331	1,654	1,600
Pittsburgh & Lake Erie	7,905	8,667	7,460	9,601	9,266
Pere Marquette	5,695	5,767	5,784	5,872	6,349
Pittsburgh & Shawmut	715	579	847	19	30
Pittsburgh, Shawmut & North	357	420	369	304	472
Pittsburgh & West Virginia	1,075	1,184	1,023	3,310	2,662
Rutland	379	659	657	996	1,218
Wabash	6,161	6,235	5,329	13,152	10,222
Wheeling & Lake Erie	5,719	5,979	3,946	5,022	4,470
Total	160,187	181,618	151,319	228,558	208,221
Allegheny District—					
Akron, Canton & Youngstown	688	785	510	1,053	1,089
Baltimore & Ohio	41,755	42,807	35,031	26,883	22,430
Bessemer & Lake Erie	6,559	6,725	6,033	2,569	2,537
Buffalo Creek & Gauley	273	330	320	3	0
Cambria & Indiana	1,952	1,843	1,647	13	16
Central R. R. of New Jersey	7,438	9,104	6,801	19,828	16,031
Cornwall	608	722	688	62	74
Cumberland & Pennsylvania	252	305	237	12	43
Ligonier Valley	133	126	93	37	47
Long Island	1,128	984	778	3,731	3,222
Penn-Reading Seashore Lines	1,884	2,132	1,598	2,249	2,103
Pennsylvania System	83,484	90,097	70,479	65,681	58,155
Reading Co.	14,145	18,193	14,528	28,283	23,789
Union (Pittsburgh)	21,063	19,301	19,332	7,322	6,193
Western Maryland	4,033	4,642	3,608	13,769	8,974
Total	185,395	198,096	161,683	171,495	144,703
Pocahontas District—					
Chesapeake & Ohio	28,170	29,249	25,883	13,707	13,161
Norfolk & Western	21,377	25,316	21,300	6,727	6,276
Virginian	4,305	4,526	4,759	1,973	1,763
Total	53,852	59,091	51,942	22,407	21,200
Southern District—					
Alabama, Tennessee & Northern	315	442	218	415	253
Atl. & W. P.—W. R. R. of Ala.	650	889	700	2,508	1,814
Atlanta, Birmingham & Coast	746	874	874	1,232	1,078
Atlantic Coast Line	11,485	10,866	9,045	9,011	6,710
Central of Georgia	3,532	4,705	3,948	4,142	3,771
Charleston & Western Carolina	392	474	435	1,393	1,588
Clinchfield	1,712	1,903	1,416	2,495	2,738
Columbus & Greenville	468	280	223	190	400
Durham & Southern	85	187	164	567	610
Florida East Coast	870	457	402	1,565	793
Gainesville Midland	32	35	28	98	108
Georgia	1,252	1,388	1,360	2,559	1,921
Georgia & Florida	500	665	868	466	651
Gulf, Mobile & Ohio	4,389	4,326	3,169	5,308	3,765
Illinois Central System	26,680	25,529	20,597	16,731	14,229
Louisville & Nashville	25,507	24,787	22,585	11,080	8,103
Macon, Dublin & Savannah	170	202	133	645	665
Mississippi Central	197	200	125	539	385
Nashville, Chattanooga & St. L.	3,295	3,406	3,020	4,269	3,315
Norfolk Southern	959	1,072	962	1,499	1,476
Piedmont Northern	267	479	359	1,105	1,404
Richmond, Fred. & Potomac	429	404	382	9,234	5,502
Seaboard Air Line	9,952	10,246	8,904	7,909	6,085
Southern System	22,450	24,591	20,660	22,696	18,994
Tennessee Central	532	561	454	1,018	848
Winston-Salem Southbound	165	294	146	929	1,932
Total	117,031	120,262	101,177	109,603	89,138
Northwestern District—					
Chicago & North Western	22,588	23,103	21,033	14,254	13,775
Chicago Great Western	2,491	3,083	2,622	3,161	3,375
Chicago, Milw., St. P. & Pac.	21,649	25,223	20,825	10,470	10,705
Chicago, St. Paul, Minn. & Omaha	4.037	4,440	4,550	4,504	4,926
Duluth, Missabe & Iron Range	31,213	24,671	21,540	398	260
Duluth, South Shore & Atlantic	1,182	1,629	756	912	555
Elgin, Joliet & Eastern	10,871	10,439	9,802	10.379	10,04
Ft. Dodge, Des Moines & South	566	540	547	160	171
Great Northern	29,633	27,219	27,666	5,981	4,58
Green Bay & Western	452	638	491	825	744
Lake Superior & Ishpeming	1,779	3,083	3,028	55	85
Minneapolis & St. Louis	2,633	2,415	2,356	2,248	2,248
Minn., St. Paul & S. S. M.	7,804	8,561	8,360	3,457	3,451
Northern Pacific	11,826	13,639	11,917	5,219	5,373
Spokane International	262	259	362	679	422
Spokane, Portland & Seattle	2,717	3,204	2,143	3,133	2,543
Total	151,703	152,151	138,048	65,835	63,268
Central Western District—					
Atch., Top. & Santa Fe System	23,087	22,608	18,176	12,351	8,403
Alton	3,522	3,346	3,028	4,886	3,173
Bingham & Garfield	629	656	521	90	65
Chicago, Burlington & Quincy	20,294	19,192	14,666	11,480	10,701
Chicago & Illinois Midland	2,379	2,423	2,209	838	1,04
Chicago, Rock Island & Pacific	12,814	13,580	12,231	11,441	10,704
Chicago & Eastern Illinois	2,469	3,067	2,480	3,944	2,941
Colorado & Southern	913	862	648	1,970	1,627
Denver & Rio Grande Western	4,077	3,747	5,065	5,774	4,455
Denver & Salt Lake	688	734	723	25	20
Fort Worth & Denver City	1,225	1,077	894	1,771	1,138
Illinois Terminal	2,006	1,979	1,759	2,082	2,15
Missouri-Illinois	1,390	1,102	1,011	379	800
Nevada Northern	2,015	1,969	1,622	83	12
North Western Pacific	1,228	1,323	922	735	633
Peoria & Pekin Union	13	11	7	0	[illegible]
Southern Pacific (Pacific)	32,598	31,022	25,477	10,889	7,372
Toledo, Peoria & Western	340	369	234	1,811	1,650
Union Pacific System	16,423	17,638	14,957	15,182	11,945
Utah	656	466	352	3	10
Western Pacific	2,235	2,139	1,948	3,955	3,334
Total	131,001	129,310	109,040	89,689	72,303
Southwestern District—					
Burlington-Rock Island	733	175	105	155	171
Gulf Coast Lines	4,415	3,781	2,727	2,452	2,05
International-Great Northern	2,894	2,134	1,686	3,088	2,57
Kansas, Oklahoma & Gulf	312	236	226	1,125	1,054
Kansas City Southern	4,912	2,874	2,102	2,940	2,83
Louisiana & Arkansas	3,727	2,535	1,922	2,121	1,970
Litchfield & Madison	287	372	385	1,121	1,42
Midland Valley	697	849	504	217	296
Missouri & Arkansas	205	161	152	348	37
Missouri-Kansas-Texas Lines	5,896	4,769	4,031	5,342	3,723
Missouri Pacific	17,388	17,268	13,978	20,664	12,505
Quanah Acme & Pacific	61	129	59	237	142
St. Louis-San Francisco	9,580	8,852	7,100	8,397	5,670
St. Louis Southwestern	2,726	2,707	2,215	5,836	3,328
Texas & New Orleans	11,527	8,409	7,007	4,525	4,162
Texas & Pacific	4,689	3,872	3,564	*5,212	4,489
Wichita Falls & Southern	134	114	118	28	50
Weatherford M. W. & N. W.	52	23	18	*30	62
Total	70,235	59,260	47,899	63,838	46,893

*Previous week's figure.
Note—Previous year's figures revised.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period	*Orders Received Tons*	*Production Tons*	*Unfilled Orders Remaining Tons*	*Percent of Activity*	
				Current	*Cumulative*
1942—Week Ended—					
Apr. 4	161,888	169,249	436,029	100	101
Apr. 11	145,000	153,269	428,322	93	101
Apr. 18	129,834	153,442	404,199	94	101
Apr. 25	139,026	156,201	388,320	93	100
May 2	135,273	152,569	371,365	90	99
May 9	130,510	143,427	360,221	86	99
May 16	119,142	141,745	336,530	82	98
May 23	120,224	140,650	316,443	81	97
May 30	113,059	132,901	288,516	77	96
June 6	110,226	120,374	283,390	69	95
June 13	115,300	125,016	274,512	72	94
June 20	98,766	117,924	248,594	69	93
June 27	104,178	120,359	231,368	72	92
July 4	94,257	100,337	223,809	59	91
July 11	92,481	77,996	236,536	52	90
July 18	103,559	114,917	226,341	71	90
July 25	112,513	120,982	219,700	74	89
Aug. 1	119,023	125,653	213,443	76	89
Aug. 8	114,969	121,035	208,769	75	88
Aug. 15	120,262	122,735	208,206	73	88
Aug. 22	124,763	119,299	213,890	74	87

Note—Unfilled orders of the prior week plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled stock, and other items made necessary adjustments of unfilled orders.

Lumber Movement—Week Ended Aug. 22, 1942

Lumber production during the week ended Aug. 22, 1942, was 3% less than the previous week, shipments were 3% less, new business 3% less, according to reports to the National Lumber Manufacturers Association from regional associations covering the operations of representative hardwood and softwood mills. Shipments were 6% above production; new orders 2% above production. Compared with the corresponding week of 1941, production was 13% less, shipments 11% less, and new business 5% less. The industry stood at 126% of the average of production in the corresponding week of 1935-39 and 139% of average 1935-39 shipments in the same week.

Year-to-Date Comparisons

Reported production for the first 33 weeks of 1942 was 3% below corresponding weeks of 1941; shipments were 6% above the shipments, and new orders 7% above the orders of the 1941 period. For the 33 weeks of 1942, new business was 22% above production, and shipments were 14% above production.

Supply and Demand Comparisons*

The ratio of unfilled orders to gross stocks was 72% on Aug. 22, 1942, compared with 44% a year ago. Unfilled orders were 18% greater than a year ago; gross stocks were 28% less.

Softwoods and Hardwoods

Record for the current week ended Aug. 22, 1942, for the corresponding week a year ago, and for the previous week, follows in thousand board feet:

SOFTWOODS AND HARDWOODS

	1942 Week	1941 Week	1942 Previous Wk. (rev.)
Mills	448	448	464
Production	262,418	300,809	269,448
Shipments	276,879	312,564	285,021
Orders	267,616	268,860	275,596

	Softwoods 1942 Week	Hardwoods 1942 Week
Mills	361	101
Production	249,692—100%	12,726—100%
Shipments	262,354—105	14,525—114
Orders	252,482—101	15,134—119

Price Ceilings Removed For 25 Retail Services

The Office of Price Administration announced on Aug. 13 that it had exempted from the Maximum Price Regulation 25 consumer services that had "little relation to the cost of living." Among the services for which price ceilings have been removed are shoe shining, watch repairing, horseshoeing, etc.

The OPA at the same time issued revised regulations controlling the price of 61 groups of services. The revised regulation requires firms offering the services to hold maximum prices for the $5,000,000,000 retail service industry generally at rates in agreement with the same pricing methods used in March. From the Associated Press we quote:

"Services covered by the new regulations include repair and rental of automobiles, bicycles, business machinery, store and kitchen equipment; development and printing of photographs; such consumer services as shoe repairing, dry cleaning, hat blocking and cleaning, picture framing, repairs to radios and knife sharpening; such agricultural services as repair of farm machinery, commission selling, grinding, mixing, bagging, fumigating and sampling of grain on a custom basis, and such industrial services as car loading, rental of transportation equipment, sand-blasting and steam cleaning of buildings."

The price ceilings on retail services went into effect on July 1—the third step in the application of over-all price control (referred to in these columns July 9, page 109).

Items About Banks, Trust Companies

William E. Fee, Assistant Cashier and Manager of the Elmhurst office of the Bank of the Manhattan Co., New York City, has retired after 48 years of service.

Robert E. Miller, a Vice-President of the Bank of New York, died Aug. 29 after a long illness in the Harkness Pavilion of the Columbia-Presbyterian Medical Center. He was 57 years old. A native of New York City, Mr. Miller began his banking career as an employee of the Fourth National Bank of New York. In 1907 he joined the Bank of New York and after serving in various departments of its organization was elected a Vice-President in 1919.

Harry Thomas Sinclair Green, a former Vice-President of the National City Bank of New York, died on the Isle of Jersey, in the English Channel, on April 29, according to word received in New York on Aug. 28. Mr. Green, who was 77 years old, had been living in the islands under German occupation for almost two years.

A native of Hong Kong, China, Mr. Green, after being educated in England, entered the employ of Hong Kong and Shanghai Banking Corp. at its London office. He later served at the bank's branches in San Francisco, various parts of China and New York. In 1899 Mr. Green was transferred to the concern's London branch as Assistant Manager. He left the Hong Kong and Shanghai Banking Corp. in 1901 to become associated with the London, Paris and American Bank in San Francisco. In 1906 he joined the International Banking Corporation as manager of its Japanese branch and in 1909 established several branches in China. The following year Mr. Green became New York Manager of the corporation and in 1912 was made President and General Manager. After the absorption of the International Banking Corporation by the National City Bank, he was elected a Vice-President of the latter organization and was placed in charge of the Far Eastern division. He retired in 1931.

Bankers Trust Co., New York, announces the election of Horton P. Kennedy as Assistant Vice-President. Mr. Kennedy has been with J. P. Morgan & Co. Inc., New York, for the past year and prior to that was associated with Morgan et Cie, Paris. He attended Dartmouth College, and was a Captain in the First World War; he was awarded the Legion of Honor by the French Government.

The Havre de Grace Banking and Trust Co., Havre de Grace, Md., has been admitted to membership in the Federal Reserve System. The bank is in the Fifth (Richmond) Federal Reserve District.

The Chicago Clearing House, through its President, Bentley G. McCloud, Senior Vice-President, First National Bank of Chicago, announced on Sept. 1 the institution of a system of awards and honors to the students of the Chicago Chapter of the American Institute of Banking, for distinctive achievement in the standard study course. For the purpose of encouraging completion of education in banking studies at the A. I. B., the Clearing House is recognizing the special problems created for bank personnel by current conditions and providing direction for the bank people of the Chicago area, especially for those newcomers in banks, who, through the emergency created by the draft of manpower for war, are called upon to take over exacting and responsible duties, in order to keep our banking system functioning with full efficiency.

The system established for the Chicago Clearing House Honor Awards will be radically different from that under which honor students are generally determined by educational institutions. Awards will not be given purely on class grades attained, but will be decided on the basis of progress and application, as well as attainment.

It has been estimated that there are more than 3,000 women working in Chicago banks who were not in the banks a year ago, and who are called upon to take over quickly positions which normally require long service and training in banks. The A. I. B. will present many special classes in its standard study program commencing Sept. 28, designed to meet the problems of new employees in banks, in the recognition that efficient operation of our banks is essential in our economic life and successful prosecution of the war. Chicago Chapter, through its stepped-up educational program, as well as the Chicago Clearing House, through its positive encouragement, hopes to improve the working efficiency of a large part of the 12,000 people who work in Chicago banks.

The Farmers State Bank of Temple, Temple, Tex., a State member bank of the Federal Reserve System, has converted into a national bank under the title Temple National Bank.

The Bank of Toronto is the only one of the Canadian banks which has expressed its intention to continue to pay its regular dividends. According to the Toronto "Financial Post" of Aug. 22, the bank is able to do this because its average profits over four pre-war years, 1936 to 1939 inclusive, left a surplus or margin over all charges which was carried to reserve. The paper says that the increased excess profits tax which leaves banks like other corporations with only 70% of their average earnings for the four-year standard period is obviously responsible for general cuts in bank dividends. The "Financial Post" added:

Accordingly, with earnings being maintained, 70% of pre-war profits still leaves a sufficient amount to enable the bank to continue regular dividends of 10%. This rate represents a yield of 3.24% on the shareholders' funds consisting of capital, rest, and profit and loss account.

The paid up capital is $6,000,000, the rest fund $10,000.000 and the undivided profits $2.500,000, a total of $18,500.000. This means the bank has, all told, $18,500,000 of shareholders' funds and pays a dividend on only $6.000,000, the total amount of capital issued.

Surplus earnings over dividends have been placed in reserve together with premiums paid for treasury stock, issued to shareholders, the average price at which capital stock was issued being $167.90 per share. This practice has safeguarded not only the position of the bank's depositors but the shareholder's investment as well.

More Conventions In NYC

There will be 33⅓% more conventions meeting in New York City during September than in the same month last year according to the New York Convention and Visitors Bureau of the Commerce and Industry Association of New York. These additional meetings will bring 31% more delegates than attended last September's conventions in New York.

One of the reasons set forth for the increased number is the fact that several groups have, because of superior transportation and hotel facilities, moved their annual conventions to New York City.

Capital Investment In Manufacturing Increased At New Record Rate In 1941

Capital invested in manufacturing in the United States increased $5,900,000,000 during 1941, a gain larger than during any of the preceding 16 years; larger, in fact, than the combined expansion from 1925 through 1929, according to the Conference Board, New York.

The Board estimates that despite the expansion in recent defense-war years the aggregate of capital so invested remains 8% below the 1929 peak of $62,200,000,000, but the vast expansion of factory plant and equipment authorized under the war program will bring the total into new high ground during the current year. On both a per capita and a per worker basis capital invested in manufacturing is still substantially below the level prevailing in the late 'Twenties, according to the Board's figures.

In presenting its findings made available Aug. 28 the Board said:

"To satisfy foreign and domestic demand for armament and related materials of defense and war has required sharp increases in the amount of capital invested in American manufacturing enterprises. From 1938 through 1941, the total capital invested in the nation's factories mounted by fully $10,000,000,000 to reach $57,500,000,000. By the end of last year just short of three-fourths of the $17,500,000,000 shrinkage in the dollar value of manufacturing assets from 1929 through 1935 had been restored.

"Not until the European crisis had reached its head did the flow of investment in manufacturing begin to pick up momentum. In the early recovery years the total invested continued to move downward and remained lower in 1936-1937 than at the trough of the depression. Following 1938, however, the net annual increase was stepped up from $2,000,000,000 in 1939 to $2,300,000,000 in 1940 and then to an unprecedented annual increment of $5,900,000,000 in 1941. Not only was the expansion last year greater than in any of the 16 previous years for which data are available, but it exceeded by almost $1,000,000,000 the combined expansion for years 1925 through 1929.

"Although the total amount of investment in manufacturing is not yet equal to its 1929 peak of $62,200,000,000, the vast expansion of factory plant and equipment authorized under the war program will bring the corresponding total for 1942 into new high ground. At the close of the first half of this year the government-financed plan expension program alone involved additions of $13,500,000,000; the accompanying expansion from private funds is estimated at $3,000,000,000. Only $1,700,000,000 of war plant expansion had been completed by the end of 1941."

The Board further reports:

Capital invested in manufacturing remained 8% lower in 1941 than in 1929 and fully 15% lower after adjustment for the growth of population. The per capita average last year was only $432 as against $512 at the end of the 'Twenties. It reached its low of $352 in 1935, months after the upturn in general business activity, and increased only slowly thereafter until the period of armament expansion.

On the average about $5,600 in equipment, plant and other operating facilities was available for each wage earner engaged in manufacturing last year. Through the effective use of labor at high-level production the marked replenishment and expansion of manufacturing assets last year appears to have been accomplished economically. Despite the unparalleled degree of new investment in 1941 the capital burden entailed in providing each worker with productive facilities was not increased.

Capital facilities per wage earner in 1941, as in 1929 and 1937, were at their lowest point in its immediate cycle of recovery years.

Savings Loan Ass'ns Have Large Receipts

What war has done both to the thrift instincts and to the ability to save of the ordinary American citizen is illustrated by the $500,000,000 cash receipts netted by savings, building and loan associations the first half of 1942, according to Fermor S. Cannon, President of the United States Savings and Loan League. During the same period, he cites, the associations have issued to their customers an estimated $120,000,000 in war bonds. He points to three salient details of the savings and loan inflow of funds:

1. New money which came in from savers and investors in June was $116,834,000, a fifth again as much as in the same month of 1941.

2. Repayments on the principal of home mortgage loans were $360,825,000 for the first five months this year, and a sizeable part of this sum represents payments ahead of schedule and contracts.

3. The net gain in new money for the half year was $142,912,000.

"Adding the dollar volume of war bonds sold to the receipts on both savings share accounts and on loan accounts we have in the savings and loan institutions alone concrete evidence of $625,000,000 withheld from the stream of purchasing power, and thus neutralized in its inflationary aspects," said Mr. Cannon. He indicated that this was greater dollar volume of thrift than had been previously experienced by a great many of the managers of these thrift and home financing institutions for any similar period of time.

Army Raises Enlisting Age To Fifty Years

Secretary of War Stimson announced on Aug. 27 that the maximum enlistment age for skilled men in the Army has been raised from 45 to 50 years. Under the new War Department ruling men who reached their 45th birthday before Feb. 16, 1942, and who, at the time of application, have not reached their 50th birthday, are eligible for enlistment if they have skills or aptitudes which make them desirable. Secretary Stimson said these men would be assigned to service command or War Department overhead units where they can release younger enlisted men for general military service. Asked at his press conference whether the new ruling meant a shortage of manpower, Mr. Stimson said the move indicates that "we are trying to raise a big army and we are going about it prudently so as not to waste manpower." He added that "if these men are fit for combat duty, they will be used for combat duty."

At the same time, Paul V. McNutt, Chairman of the War Manpower Commission, announced that all able-bodied male students in colleges and universities are destined for the armed forces and instructed the youths to prepare themselves, physically and vocationally, for appropriate war service. Mr. McNutt made these remarks in releasing a report prepared by a special committee on "Utilization of Colleges and Universities for the Purposes of War," headed by Dr. Edward C. Elliot, President of Purdue University. The report's chief points were as follows:

"1. All students, men and women, must be preparing themselves for active and competent participation in the war effort and supporting civilian activities.

"2. All able-bodied male students are destined for the armed forces.

"3. For those students, men and women, who are not to serve in the armed forces there should be developed through the War Manpower Commission plans of guidance which will help the students to determine where they can make the most effective contribution to the war effort, including essential supporting activities.

"4. Any plan for student war training must take into consideration the possibility that the Selective Service Act may be amended so as to lower the age of liability for service, under the Selective Service Act, to 18 years.

"5. All those colleges, universities, professional and technical schools assuming direct responsibility for the training of students for war purposes must be prepared so to readjust their instructional programs and procedures as to enable them promptly and efficiently to meet the new and varying needs of the war ends.

"6. Throughout the preparation for wartime services provision should be made for securing the complete physical fitness of students.

"7. In order to avoid misunderstanding, students should recognize that the exigencies of the war do not make it possible to assure any student that he will be permitted to remain in the institution for any specified period of time. Furthermore, it should be recognized that it will not be possible prior to the opening of the academic year of 1942-43 to formulate the details of some of the plans for the utilization of institutions nor to provide for the implementation of such plans.

"8. The above plans for the war training of students do not contemplate any Federal subsidy to institutions.

"9. To qualified students whose additional training is required for the war effort, financial assistance should be made available to permit them to receive that training."

Resigns WPB Post

Amory Houghton, Director General for Operations of the War Production Board, resigned on Aug. 29.

In his letter to WPB Chairman Donald M. Nelson, Mr. Houghton said he was taking this step to save Mr. Nelson and the WPB from any possible embarrassment which might arise as a result of his company's conviction on an anti-trust charge.

Mr. Houghton and the Corning Glass Works, of which he is board chairman, along with a number of other glass companies and officials, were convicted in Federal District Court in Toledo last week of violating the Sherman Anti-Trust Act.

Mr. Houghton, a $1-year-man, also said that the directors of the Corning Works were "insistent" that he return to participate in the new decisions confronting the business.

Mr. Nelson accepted the resignation "with very real regret" and "a deep sense of disappointment."

Mobile Cotton Exchange Closes For The Duration

The Mobile Cotton Exchange closed on Sept. 1 for the duration of the war. President G. C. Dixon said that unsettled world conditions and the Exchange's inability to export cotton caused the closing. He added that the organization, now in its 124th year of operation, will be kept intact for resumption of business after the war. The Exchange did not close during the last war.